Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NIS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt £E2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lebanon L£250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$65
Germany DM2.20	Malaysia Rm4.25	Thailand Bt50
Greece Dr120	Mexico Pes900	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L400
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,696 Thursday November 17 1988 D 8523 A

ISRAEL
The US strain of Orthodox demands
Page 4

World News

Estonia votes to reject new Kremlin constitution

The Parliament of Soviet Estonia voted unanimously to reject Kremlin plans to modify the Soviet constitution which deputies said would restrict the rights of Soviet republics. Page 2

Brazil shifts left

Brazil's political centre of gravity shifted to the left as counting after nationwide municipal elections confirmed exit polls showing sweeping gains for socialist parties. Page 6

Koskotas inquiry

After a 13 hour debate the Greek parliament voted to set up a fact-finding committee on the scandal involving the fugitive banker Mr George Koskotas. Page 3

Jewish leader quits

Michael Fuerst, the deputy leader of West Germany's Jewish community, quit days after defending Philipp Jenninger, the Speaker of parliament, for a speech denounced as trying to justify the appeal of the Nazis.

French budget split

France's budget is turning into a parliamentary fiasco for Mr Michel Rocard's minority Socialist Government, after the decision of the centrist UDC group to vote against it. Page 3

SA crackdown call

Pressure is mounting on the South African Government to crack down on right-wing white extremist organisations after a massacre of blacks in Pretoria by a deranged white former policeman. Page 4

Sudan peace closer

Peaceful resolution to the civil war raging in southern Sudan is closer with scheduled signing of an agreement between Sudan's Democratic Unionist Party and the rebel Sudan People's Liberation Movement. Page 4

Mafia witness gone

Mario Ferraiuolo, key witness at a trial of nine alleged Mafiosi and neo-Fascists accused of a train bombing which killed 16 has disappeared from his Naples home.

Afghan rocket strike

Afghan rockets hit the Pakistani border village of Ladey Kaga, killing 10 people and injuring 15 in the market place.

Iran caps oil wells

Iranian experts have capped offshore oil wells at the Reshadat and Ressalat fields damaged in attacks by the US Navy and the Iraqi Air Force.

Americans freed

Liberia released two Americans, James Henry Bush and Curtis Elmer Williams, arrested four months ago charged with attempting to overthrow the government of President Samuel Doe.

Pipeline attacked

Rebels of the Mozambican National Resistance said they had killed 41 soldiers and put the key oil pipeline between Beira and the Zimbabwean border out of action for up to six months.

Three die in fire

Three teenagers died in their beds and 14 were injured when fire swept through a children's home in Fecamp near Le Havre in northern France.

Business Summary

La Générale enlists blue chip backing against raid

Société Générale, France's largest privatised commercial bank, has enlisted the backing of five additional private French blue-chip companies to invest in its defence against the hostile raid by Mr Georges Pebereau, former chairman of Compagnie Générale d'Electricité.

CASSA di Risparmi di Prato, the Tuscan savings bank facing the worst single crisis to befall an Italian bank since the Banco Ambrosiano affair in 1982 is the subject of a L1,100bn ($846m) emergency "lifeboat" prepared by senior bankers in Rome. Page 21

CHRYSLER, the US carmaker, hopes to agree on a joint venture with Renault, its French counterpart, within the next three to six months according to Mr Michael Hammes, head of international operations. Page 22

MUNICH RE, the world's largest reinsurer, unveiled virtually static after-tax earnings of DM60m ($33.7m) for the year to June. Last year the figure came out at DM60.8m. Page 22

MINORU Nagaoka is to be the new president of the Tokyo Stock Exchange. He replaces Mr Michio Takeuchi. The appointment only remains to receive approval in a general meeting of exchange members later this month.

FIAT, the Italian motor group, hopes to make its debut on the New York stock market at the beginning of next year through an issue of American Depositary Receipts to be sponsored by First Boston. Page 26

UNITED CABLE, one of the largest US cable television companies, was yesterday awarded three large British cable franchises covering 700,000 homes. Page 25

VEBA, the West German energy and chemicals conglomerate, boosted net group profits 14.3 per cent to DM553m ($317m) in the first nine months from DM492m a year earlier, mainly reflecting a strong performance in the chemicals sector. Page 22

HARRY Goodman's International Leisure Group has formed a pan-European airline holding company, Airlines of Europe, to take advantage of the single European market in 1992. Page 10

COMPAGNIE Financière de Suez the French investment and banking group, reported net first half profits of FFr 1,272bn ($211m), a drop of 12 per cent on the same period a year earlier. Page 22

SONY, Japan's innovative consumer electronics group, boosted worldwide net profits by more than 3¼ times in the six months to September to reach Y29.18bn ($233m). Sales grew 41.9 per cent to Y992.3bn, buoyed by a Y162.4bn first-time contribution from CBS Records. Page 23

TOYS "R" US, the largest US toy retailer, unveiled a sharp increase in third quarter net income to $25.8m from $18.4m and said it planned to open a further 65 new toys stores in the US and abroad next year. Page 22

KYOCERA, the Japanese electronic components producer, showed the benefit of better market conditions in reporting interim pre-tax profits up nearly 20 per cent to Y24.73bn ($19.7m) from Y20.62bn. Page 23

FEDERAL National Mortgage Association the US mortgage concern increased its global medium-term note programme to $2bn, having issued all securities available under a $1bn scheme launched a year ago. Page 27

Siemens and GEC join in £1.7bn bid for Plessey

By Terry Dodsworth and Nikki Tait

SIEMENS of West Germany and the General Electric Company of Britain, two of Europe's largest electronics companies, have teamed up to launch a £1.7bn ($3.06bn) bid for Plessey, the UK defence and telecommunications group, in a move which heralds a further shakeout in the European electronics industry.

The offer comes only two years after a bitter £1.2bn takeover battle between Plessey and GEC which ended only when the British Monopolies and Mergers Commission ruled against a merger.

Plessey said last night that it "emphatically rejected" the new offer and strongly recommended shareholders to take no action.

It also postponed its interim figures, which were due to be issued today.

First reaction in London to the 225p-a-share cash offer was mixed, with considerable uncertainty about how the unusually structured deal would work in practice.

Plessey shares rose 49½p to 224p, with around 53m shares traded, suggesting that about 4 per cent of the equity may have changed hands.

The agreement, if successful, would lead to the creation of the largest industrial alliance in the European electronics industry, bringing together two companies which dominate their respective markets.

WORLD'S BIGGEST ELECTRONICS COMPANIES

COMPANY	SALES (US$bn)
IBM	54.2
General Electric (US)	39.3
AT&T	33.6
Siemens	27.5
Philips	26.0
CGE	21.2
NEC	15.3
Fujitsu	11.1
Westinghouse	10.7
GEC (UK)	7.8
Plessey	2.1

The deal would also transform the face of the UK electronics sector, which a variety of critical reports have recently stressed is in need of rationalisation.

The bid is being made through a new jointly owned company, GEC-Siemens. Assuming the offer goes through, the parent companies envisage that, in the case of telecommunications, Siemens will take a 40 per cent interest in GPT, the joint venture company formed earlier this year by GEC and Plessey.

Siemens will keep its own existing product lines.

On the defence side, GEC will acquire a 50 per cent interest in Siemens' defence electronics business, and in North America, GEC will have a majority 51 per cent of the Plessey interests.

Plessey's European operations, however, will continue to operate as an independent entity, as will GEC's Marconi defence division.

Analysts suggested that the form of the bid has been structured with previous monopolies objections in mind.

The two companies also underlined the prospects for collaboration in the semiconductor field, where Siemens has taken a strong lead in attempts to create a European alternative to Japanese and US companies.

At present, however, there are no plans for financial links in this sector, or in the other common activities such as power engineering or medical electronics.

Lord Weinstock, GEC's managing director, described the proposed deal yesterday as "not a merger but a plan for co-operation."

In the past, he has tended to be sceptical about joint projects, but GEC has worked for several years with Siemens in electric light bulbs, where Siemens' distribution network has helped build up sales in Europe.

The proposed combination would create a European telecommunications business with joint sales of around £5.7bn, only slightly smaller than Alcatel, the French-controlled formed only two years ago when from the merger of Alcatel's activities with ITT Europe.

On the defence and components side, where Thomson of France is the only company of comparable size in Europe, the new grouping would bring together operations with sales of well over £2bn.

Last year, GEC had turnover of £6bn, on which it made pre-tax profits of £708m, while Siemens generated sales of £16.2bn, on which it made £818m pre-tax.

The financing for the offer is being shared equally between Siemens and GEC, both of which have large cash balances.

The subsequent stakes in subsidiary companies will also be settled in cash, although the two parents declined to elaborate on this yesterday.

Charles Hodgson adds: Last night, Mr Bryan Gould, the opposition Labour Party's trade and industry spokesman, said that if the new GEC bid for Plessey was allowed to succeed "it can only further weaken Britain's already precarious electronics sector."

Second battle for Plessey, Page 18; Lex, Page 20; Siemens finds it's all quiet on the German front, Page 28

Greenspan warns on budget deficit

By Anthony Harris in Washington, Janet Bush in New York and Simon Holberton in London

MR ALAN Greenspan, the Federal Reserve chairman, yesterday called for an immediate attack on the US budget deficit and said that if the adjustment was delayed, the cost would become "inordinate".

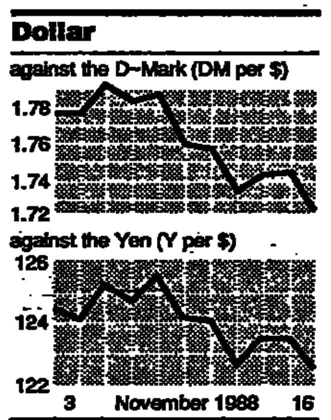
In his most strongly-worded warning on the effect of the budget deficit, he warned that foreign capital could not be relied on to fill the savings gap.

The Fed chairman's evidence to the National Economic Commission was seen by financial markets as endorsing their negative view of the Bush Administration's chances of tackling the deficit problem.

The dollar had already begun to fall after the release of US trade figures for September and continued to fall sharply after the Fed chairman spoke to the Commission.

By the close of trading in Europe it had lost more than two pfennigs and about one yen to close at DM1.7230 and Y122.5.

Dollar



At the London close, the dollar was at its lowest point against the yen since the beginning of the year. It was at a five-month low against the D-Mark. At midsession in New York, the dollar was quoted at a session low of Y122.45 and at DM1.7220.

Mr Robert Brusca, chief economist with Nikko Securities in New York, said: "The chairman's remarks simply contributed to the chaos. Essentially, he was endorsing the pessimistic stance that the markets have already begun to take."

Mr Greenspan warned that if the budget deficit persisted the Fed might be compelled to counter it with tight monetary policy, in what appears to be a clear warning to the incoming Administration of President-elect George Bush.

Mr Bush's plan for a "flexible freeze" to eliminate the deficit over five or more years depends on the assumption that interest rates could be reduced once the plan was in place.

Mr Greenspan said that hopes that the economy could grow out of the problem were misplaced. "The slack in the economy has contracted substantially," he observed.

He argued, on the contrary, that the present rapid growth rate afforded a "window of opportunity" to tackle the deficit through tighter policy without risking a recession or a fall in US living standards.

Large and persistent deficits are already "slowly but inexorably damaging the economy", he said.

Financial markets are clearly concerned that any compromise between Mr Bush and the Democratically-controlled Congress (if any can be reached at all) will only come after prolonged and hard bargaining which will leave the dollar extremely vulnerable.

On Wall Street stock prices closed at their lowest level in more than two months. The Dow Jones industrial average slid 38.59 points to 2,038.58, according to early tabulations, extending its losses since the start of last week to about 110 points.

Trade figures; Lex, Page 20

Victory for Takeshita over tax reform proposals

By Ian Rodger in Tokyo

THE Japanese Government's controversial tax reform plan sailed through the lower house of parliament yesterday unexpectedly smoothly, virtually ensuring its implementation on schedule next April.

This constitutes a major victory for Mr Noboru Takeshita, the Prime Minister. Tax reform is the cornerstone of his legislative programme but has long been controversial and politically fraught both inside and outside the ruling Liberal Democratic Party (LDP).

A significant new stimulus to the Japanese economy is anticipated because the value of the tax cuts should exceed that of the increases in a typical year by Y2,400bn (about $19.4bn). This will please many Western governments, which have been pressing Japan to expand further and thus import more. Britain, in particular, has for years lobbied the Japanese Government to remove its discriminatory taxes on imported spirits.

The main elements of the tax reform are:

- A 3 per cent consumption tax, with the value added computation based on companies' books rather than on invoices. Small businesses with annual turnover of less than Y30m are exempt, as are financial transactions, medical services under the national health insurance plan and school tuition fees.
- Income tax bands will be reduced from 12, ranging from 10.5 per cent to 60 per cent, to five, ranging from 10 per cent to 50 per cent. Local resident income tax ranks will be reduced from seven bands, ranging from 5 to 16 per cent, to three, ranging from 5 to 15 per cent.
- Capital gains on securities transactions will be taxable either at the rate of 26 per cent of the gain or 1 per cent of the value purchased. As a result of the Recruit Cosmos scandal, the Government has agreed to strengthen the taxation on windfall gains made from new issues.
- The corporate income tax base rate will be reduced in two steps from 42 per cent to 40 per cent and then 37.5 per cent. Small business tax rates will be lowered from 30 per cent to 29 per cent and then 28 per cent.
- Ad valorem duty on high class whisky and brandy will be abolished and the differences between tax rates on different grades will be reduced.

Mr Yitzhak Shamir

Israeli PM presses for coalition with Labour

By Geoffrey Owen, Andrew Whitley and Tony Walker in Jerusalem

MR YITZHAK Shamir, Israel's Prime Minister, said yesterday that he strongly supports a broad-based coalition of Labour and Likud as the most stable form of government for Israel over the next four years.

Mr Shamir, the Likud party leader, also said a new Israeli government would favour the involvement of both superpowers in promoting direct talks between Israel and Jordan.

In an interview with the Financial Times, Mr Shamir said he would do his best to speed up coalition-building negotiations. "We cannot afford to drag it out," he said.

On Monday, President Chaim Herzog asked Mr Shamir to form a new government following inconclusive elections at the start of the month. Israel's coalition building process has been complicated by the success of small right-wing and religious parties in the poll.

Mr Shamir said a narrow based government – dependent on these special interest groups – would be vunerable. "In our situation, with the pressures of security and foreign relations, it is absolutely preferable" to have a government supported by "almost all the people," he said.

The Israeli Prime Minister said he hoped proposals that the leaders of Israel and Jordan should be invited to meet in Washington would resurface. He suggested that King Hussein of Jordan needed such "international legitimacy" to talk directly to Israel. An invitation from the superpowers would give the required push to direct negotiations.

Mr Shamir said Israel remained committed to the Camp David process whereby

Continued on Page 20
US Jews count the cost, Page 4

Bhutto set to secure largest share of seats in Parliament

By David Housego and Christina Lamb in Lahore

BENAZIR BHUTTO'S Pakistan People's Party seemed set last night to emerge as the largest single party in the country's general election but it was unclear whether it would win an absolute majority.

Early partial returns suggested that the PPP might win about 100 seats of the 207 in the National Assembly that were being contested. The PPP was doing better than expected in Sind, Ms Bhutto's home province, and the North West Frontier, which was the last stop on Ms Bhutto's election tour.

Turnout for the first general election in 11 years was low by Pakistani standards with only 40-50 per cent of the electorate believed to have cast their votes. The poor turnout was largely explained by the new ruling requiring voters to present an identity card.

The regulation was adopted by President Ghulam Ishaq Khan to prevent rigging in the polls. The PPP denounced it as depriving the poor of a vote. In villages in the Punjab yesterday, returning officers confirmed that the turnout was unusually low because many villagers did not have identity cards.

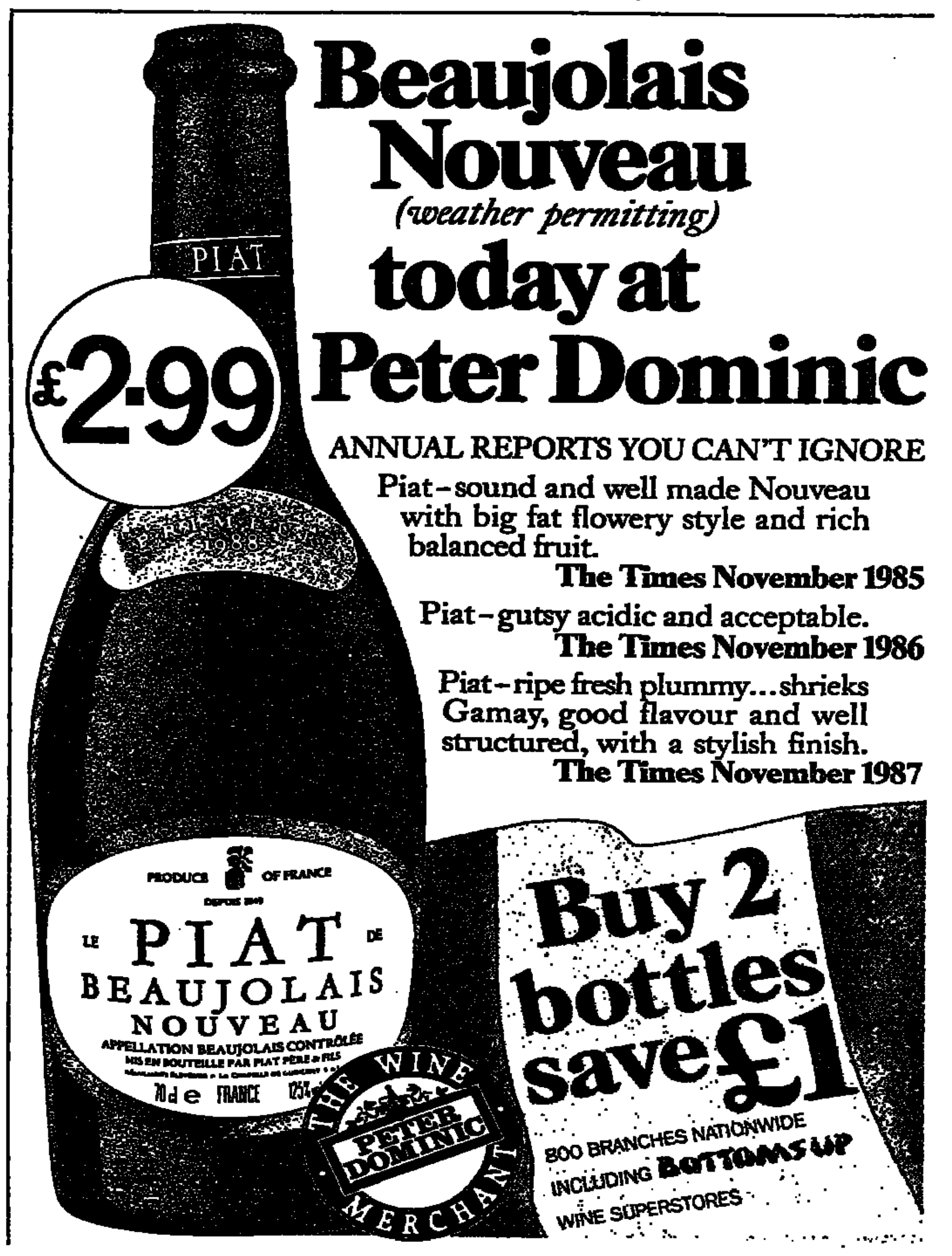
Crowds began to collect outside the PPP office in Lahore early in the evening in anticipation of a PPP victory. But the PPP needed an absolute majority in the Assembly to assert its claim to the premiership. If the PPP vote falls below this, then President Ghulam Ishaq has more leeway to search among the other smaller parties for someone to form an alternative government.

The PPP's strong showing in Sind meant that one potential prime minister lost his seat, and another risked losing. Mr Ghulam Mustapha Jatoi lost both the seats he was standing for, while Mr Muhammed Khan Junejo, the former premier under President Zia, seemed likely to lose his seat. Other influential Sindi families who were loyal to the Zia regime were also on the verge of losing.

Despite widespread expectations of violence at the polls, voting was peaceful. Heavily armed troops were deployed throughout the country. Equally, despite earlier claims by the PPP that the Government intended to rig 20 seats, there were few reported cases of electoral fraud although more complaints could emerge as the results become known.

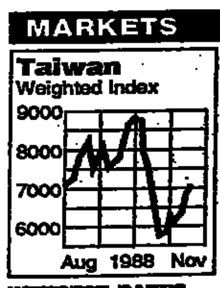
Ms Bhutto returned to her home town of Larkana to vote but was expected to return to Lahore soon after the results were known.

In Lahore people hurried to the polls early in the morning so that queues formed outside booths. In remoter villages to the south of the city, turnout dropped to as low as 25-30 per cent.



MARKETS

Taiwan Weighted Index



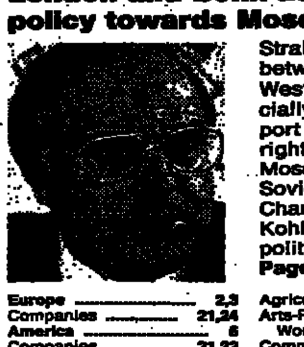
INTEREST RATES
US lunchtime
Federal Funds 8⅜% (8⅝)
3-mth Treasury Bills: yield: 8.25% (8.21)
Long Bond: 100½ (100⅛)
yield: 9.07% (9.01)
London
3-month interbank: close 12⅜% (12⅜)

STERLING
New York close
$1.8325 (1.8085)
London:
$1.8215 (1.8070)
DM3.1400 (3.1525)
FFr10.7325 (10.7725)
SFr2.6325 (2.6450)
Y223.25 (223.00)
DOLLAR
New York close
DM1.7170 (1.74275)
FFr5.8670 (5.9520)
SFr1.4415 (1.4620)
Y122.25 (123.25)
London:
DM1.7230 (1.7450)
FFr5.8925 (5.9600)
SFr1.4455 (1.4630)
Y122.50 (123.40)
GOLD
New York latest
Comex Dec. $425.5 (-0.1)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,038.58 (-38.59)
S&P Comp 263.82 (-4.52)
London:
FT-SE 100 1,807.3 (+5.0)
World: 135.24 (Tues)
Tokyo
Nikkei Ave 28,996.12 (+168.71)
Frankfurt
Commerzbank closed
OIL
Brent 15-day (Argus) $12.62 (-395) (Dec)
West Tex Crude $13.825 (-.48) (Dec)

CONTENTS

London and Bonn at odds over policy towards Moscow



Strains are building up between Britain and West Germany, especially over Bonn's support for a human rights conference in Moscow in 1991, after Soviet pledges to Chancellor Helmut Kohl on releasing political prisoners
Page 20

EUROPEAN NEWS

Estonia on collision course with Moscow

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV was last night facing a constitutional crisis following the vote by Estonia's parliament to reject his plans for constitutional reform.

Once-docile deputies at an emergency session of the Estonian Supreme Soviet in Tallinn then voted to amend their own constitution, giving themselves a veto over any future Soviet national legislation.

The moves appeared to be a direct snub to Mr Gorbachev and his personal envoy, Mr Viktor Chebrikov, the former head of the KGB, who was sent to Estonia at the weekend to persuade republican leaders to tone down their demands for regional autonomy.

The key question now is whether the two other Baltic republics of Latvia and Lithuania will back their Estonian neighbours, and also vote to reject the Kremlin's reform plans in the coming days. The Supreme Soviet in Lithuania is due to meet today, and its Latvian counterpart next week.

The irony is that on the one hand Mr Gorbachev's constitutional plans are intended to strengthen the democratic system in the country, providing for multi-candidate elections to the Soviets at all levels. But at the same time the resurgent nationalist movements in the Baltic republics claim the reforms would actually reinforce the power of the central government over the individual republics, and therefore further concentrate power, above all in the hands of an executive President.

Estonia, with a population of just 1.5m, has consistently been in the forefront of popular movements simultaneously backing rapid political reform as urged by Mr Gorbachev, and providing a vehicle for a revival of demands for greater national autonomy.

Last night, the deputies also voted to proclaim the "sovereignty of Estonia" within the Soviet Union – not a demand for outright independence – and called on the Supreme Soviet of the USSR to draw up a Treaty of Union which would set out a genuine relationship of equals between the 15 Soviet republics.

Mr Gorbachev has sought in recent days to persuade the Baltic states to temper their demands until next year, when the whole subject of relations between the individual republics and the union as a whole is supposed to be thrashed out at a plenary meeting of the central committee of the ruling Communist party.

He sent top members of the Politburo to each of the republics at the weekend to warn them against trying to push too far for devolution of power, knowing that the tide of nationalist feeling is running at an extraordinary pace in the Baltic. His pleas appear to have fallen on deaf ears.

Papandreou reshuffle fails to end crisis

By Andriana Ierodiaconou in Athens

GREECE'S Socialist Prime Minister, Mr Andreas Papandreou, made limited changes to his cabinet yesterday but the reshuffle did little to quell opposition calls for the Government's wholesale resignation over the scandal involving fugitive banker and press baron Mr George Koskotas.

Mr Koskotas fled Greece earlier this month after he was charged with embezzlement and irregular foreign currency transactions and his name has been linked to a number of senior ministers in the Greek cabinet.

The cabinet changes were announced shortly after a stormy debate in the Greek Parliament which ended up with MPs voting to set up a fact-finding committee to investigate the scandal.

As his sole gesture towards calls for a purge of cabinet members whose names have been in any way linked with the Koskotas affair, the Prime Minister gave the job of Justice Minister to Mr Vassilios Rotis, a senior member of the judiciary. Mr Rotis was hastily removed for the purpose from his post as President of the Council of State.

However the highly controversial Mr Agamemnon Koutsogiorgas, who held the job until his resignation last weekend amidst a barrage of accusations of having tried to cover up the Koskotas scandal, was moved to the powerful position of Minister to the Prime Minister.

The reshuffle confirmed the resignation of Mr Tassos Sehiotis, the Public Order Minister. He was replaced by Mr George Petsos, former Transport Minister.

This move too was guaranteed to raise the hackles of the opposition since Greek newspaper reports have linked Mr. Petsos' name with the Koskotas scandal. He has denied the reports and sued the newspapers involved for libel.

Mr George Papandreou, the *Prime Minister's son*, who has also had to defend himself against rumours of a role in the scandal, retained his post as Education Minister.

Delors warns on Soviet export credit

By William Dawkins in Strasbourg

EC GOVERNMENT leaders will come under pressure from the European Commission at their summit in Rhodes next month to set common rules for granting export credits for trade with the Soviet Union.

Mr Jacques Delors, the Commission president, yesterday warned the European Parliament: "There is every reason to be worried by the mounting competition between certain European countries outbidding each other to grant trade credits for the Soviet Union."

He drew attention to OECD rules banning state aid for export loans and setting limits for interest rates. Mr Delors also pointed out that Article 112 of the Treaty of Rome obliges the EC to harmonise rules for export credit aid to non-EC countries to avoid distortions of competition.

If Greece, the current EC president, supports Mr Delors' appeal, Community leaders will be asked to tackle the issue less than 10 days before the planned visit to Britain of Mr Mikhail Gorbachev, the Soviet leader, at which UK *trade credits for Moscow* are expected to be discussed.

Mr Delors' remarks come at a time when European governments are vying to offer ever larger credit lines to finance *the Soviet Union's purchases* for its industrial restructuring while a number of private banks have recently launched huge private loans. They include a DM3bn (£943m) West German bank credit, an *Italian* credit of Ecu 680m, £1bn in informal credit offers from UK banks and a probable major loan from France.

The lack of EC harmonisation on export credits is becoming a growing problem in the approach to the 1992 creation of a free single market. Only two days ago, the Italian authorities declared that their credit to Moscow contained no public subsidy after some European governments had expressed concern that the deal was being offered at rates below so-called OECD "consensus" levels.

Peter Montagnon adds: The OECD outlawed interest subsidies on loans to the Soviet Union earlier this year, but Italy sought to satisfy Soviet demands for low interest rates by offering a cosmetic rate structure which obliges exporters to make up the difference between market rates and the rate actually paid by Moscow.

This practice has also been followed until recently by other high-interest European countries like Britain, although the UK has been spearheading a campaign to persuade the Soviet Union to accept full market rates.

One worry in London has been that the Italian move would discourage Moscow from accepting market rates, a concept which is still resisted by some Soviet institutions.

Crunch time for Airbus ministers

Guy de Jonquieres reviews a key meeting for the project today

TODAY'S meeting in London of ministers responsible for the European Airbus should provide a clear test of whether they mean what they say about tackling the financial and management weaknesses plaguing the programme.

Though Airbus has been an unquestionable sales success, with almost 1,000 orders booked or delivered, it remains a huge loss-maker. It has already devoured subsidies estimated at at least $10bn, and its problems have been made even worse by the weakness of the dollar, the currency in which aircraft sales are priced.

Alarmed by the prospect of unending further streams of red ink, ministers from the four governments involved committed themselves early last summer to ramming through a radical management restructuring by the end of this year. Now, they have to make good that pledge.

The blueprint for reorganisation is a report by four "wise men" commissioned by the governments. It concluded that Airbus's unwieldy business structure was hugely inefficient and recommended a number of changes intended to subject it to much stricter commercial disciplines.

The meeting today is expected to be dominated by discussion of who should fill the key posts in the new set-up. The most important one, chairman of the supervisory board, has been opened by the death of Mr Franz-Josef Strauss.

The other main posts to be filled at the Airbus Industrie consortium are the newly-created jobs of managing director, finance director, chief operating officer and commercial director.

The "wise men" have emphasised that their reorganisation proposals will work only if the jobs are occupied by determined and tough-minded individuals who act as one and command the unswerving support of Airbus governments.

"The new chairman must be seen to be fully in charge," says one of those closely involved in the proposed reforms. "If the heads of the national aerospace companies involved in Airbus refuse to co-operate, he should be able to go to ministers and get them sacked."

The chairman will also need to stand firmly behind the finance director, who will be responsible for unscrambling the venture's *opaque financial arrangements* and imposing firm management controls. That looks like a challenging task.

Not only does Airbus Industrie, as a French *groupement d'intérêt économique*, publish no proper accounts, but none of *the four national aerospace companies* which are its shareholders divulges financial details of its involvement.

This situation has arisen because of a divorce between sales and marketing, which is handled by Airbus Industrie, and production, which is handled by its shareholders.

As a consequence, the costs of producing an Airbus have remained unknown and beyond anyone's control. Equally, attempts to forecast the venture's cash flow and profit have been pointless.

Airbus's four company shareholders have accepted in principle the "wise men's" proposals for a unified and streamlined management structure. However, some well-informed observers wonder how sincere that commitment is.

The sceptics have not been reassured by the approach to choosing Airbus' future top managers. The "wise men" insisted that all such appointments be made strictly on merit, not nationality. However, national political considerations are rapidly intruding.

France and West Germany, the two largest Airbus shareholders, seem happy to support each others' claims for managing director and chairman of the supervisory board, respectively. Some of France's partners suspect it wants a relatively weak chairman appointed, so that its own say in Airbus would be strengthened.

That scenario may be favoured by current political uncertainties in Bonn, where complex machinations in the ruling coalition have delayed the naming of West Germany's candidates for Airbus posts.

Some in Bonn also wonder whether Mr Erich Riedl, the state secretary for economics who closely followed Mr Strauss's wishes on Airbus, will be able to agree to any major decisions today.

Though Britain would undoubtedly resent a Franco-German carve-up of the plum Airbus jobs, its minority shareholding limits its influence. It is expected to concentrate on trying to get a British candidate named finance director.

Today's meeting follows closely the agreement by the Daimler-Benz motor group to take effective control of MBB, the West German Airbus partner. Though the deal is intended to subject MBB to firmer management, it was achieved only after Bonn consented to offer Daimler extensive exchange rate guarantees on Airbus.

In the past few days, the dollar's weakness has brought it closer to the DM1.60 parity at which the guarantees will be triggered. If that happens, pressure on other Airbus governments for similar protection will be likely to grow.

In Paris, the Government appears ready to consider such protection favourably, if it were demanded by Aérospatiale, while in London, British Aerospace has been urging Whitehall to provide "insurance" against losses on Airbus.

The US has threatened to retaliate against further subsidies. But the view is growing in Europe that that is unlikely during the presidential interregnum and while Boeing continues to enjoy a bulging order book.

Against that background, it remains uncertain whether European governments are prepared to administer tough medicine to Airbus, or are more inclined to reach for the familiar palliatives of political compromise and further subsidies. Today's meeting should offer some clues.

Swedish unions agree fresh pay strategy

By Robert Taylor in Stockholm

LEADERS OF Sweden's blue-collar trade union movement, the LO, agreed yesterday on a new strategy for the next wage round.

The LO plans to demand pay rises of 7 per cent for manual workers in 1989 in preparation for the negotiation of long-term deals lasting from two to three years from next winter.

The LO commitment to long-term collective agreements represents a significant change in attitude to pay-bargaining and a belated attempt by union leaders to restore a greater measure of centralisation to the Swedish wages system. It is three years since the LO negotiated a central pay deal for all its members.

Concern has been growing that wage-push inflation is again making Swedish export industries uncompetitive.

Mr Stig Malm, the leader of the LO, said yesterday the 7 per cent target for 1989 would mean a rise of 1 per cent in workers' real incomes because inflation was expected to be around 6 per cent.

Brussels urges Efta trade concessions for Spain

By David Buchan in Brussels

MEMBER-COUNTRIES of the European Free Trade Association (Efta) should make trade, rather than aid, concessions to Spain in return for access to its market, the European Commission has proposed.

It approved a confidential report to EC governments yesterday recommending that it would be politically unwise for the Community to accept Efta-country offers of special aid for Spain and other poorer Mediterranean EC states.

Such aid, proposed chiefly by Sweden in response to demands by Spain, would give non-EC countries an unacceptable say in the Community's structural aid programmes, the Commission argues.

Instead, it is proposing that Efta countries should be asked to accelerate reduction of their import tariffs on Spanish industrial goods, and generally to favour farm products from poorer parts of the EC.

As a consequence, Spain's EC partners would also be asked to speed up tariff reductions on what they buy from Spain. When Spain entered the Community in 1986 it was agreed that all its industrial *tariff barriers with the rest of* the EC would disappear by the end of 1992.

Spain's demand that industrialised Efta countries should somehow be made to pay for access to less-developed EC markets under the long-standing EC-Efta free *trade* agreement has raised awkward questions for Brussels.

The suggestion by Sweden, echoed by Norway and some other Efta countries, that they might put up money for EC structural funds, was a tribute to their desire to associate themselves as closely with the single market drive without actually joining the EC.

But such offers inevitably would have political strings attached, the Commission concluded yesterday in its study.

Spain is the only EC member still with some tariffs on industrial trade with Efta. Because of the disparity between Spain and most Efta countries, a yawning trade gap has opened up as the two sides have reduced tariffs.

While Spanish industrial exports to Efta have risen only slowly to Ecu 1.14bn (£740m), Efta sales have increased from Ecu 1.48bn in 1984 to Ecu 2.1bn *last year*.

Rocard struggles to win approval for 1989 budget

By George Graham in Paris

FRANCE'S 1989 budget is turning into a parliamentary fiasco for Mr Michel Rocard's minority Socialist Government, after the decision of the centrist UDC group to vote against it.

The Government has already had to postpone votes on the budgets of five ministries and tomorrow faces the prospect of having to use a parliamentary guillotine if it wants to secure passage of the entire bill.

The uncertainty has tied the Socialists' hands as they try to deal with a wave of public sector strikes and at the same time to prepare for next March's municipal elections.

Lacking an absolute majority, Mr Rocard needs the abstention either of the 40 UDC members or the 25 Communists to win a vote in Parliament.

Both groups have sold their votes dearly, winning several tax and spending concessions during the passage of the budget bill. Officials say that in general the centrists are more expensive, but that both have bargained with the Government in a way that has not been seen since the end of the Fourth Republic 30 years ago.

Mr Pierre Mehaignerie, the centrist leader, has now announced that his group will vote against the complete budget tomorrow, despite having earlier agreed to abstain on the revenue portion of the bill.

If the Communists also decide to vote against, the Government will be obliged to make the bill an issue of confidence, using the controversial Article 49.3 of the constitution. It would then pass automatically unless Parliament voted a motion of censure, which requires an absolute majority.

Article 49.3 was used repeatedly by the right-wing government of Mr Jacques Chirac between 1986 and 1988, but is viewed as a last resort.

The Government runs little risk of being overturned, since the Communists have made it clear they would not vote for a censure motion, but it is nevertheless severely embarrassed.

One reason is that the budget wranglings coincide with a difficult negotiation between the Socialists and the Communists aimed at securing an alliance in the municipal elections.

Mr Mehaignerie, meanwhile, is caught in exactly the same trap. His newly formed UDC group has irritated the right-wing UDF and RPR parties, its partners in the last Government, by accepting parts of the budget, including the reintroduction of the wealth tax.

The centrists, too, need allies if they are to retain control of their bastions in the municipal elections. Their decision to vote against the budget bill in its entirety is clearly the price of this alliance.

For Mr Rocard, the politicisation of the budget could not come at a worse time, for it is becoming more and more difficult to win acceptance, both by public sector employees and by the Socialist party, of the policy of budgetary austerity.

The economy has been much more buoyant than expected this year, growing by over 3.5 per cent, compared with an initial forecast of 2.2 per cent, and this has produced windfall tax receipts estimated at more than FFr38bn (£3.5bn).

Belgium considers its fighter options

By David Buchan in Brussels

THE MULTINATIONAL Eurofighter consortium is to make a fresh bid to sell some 50 of its combat aircraft to Belgium, which is already facing mounting pressure to buy the rival French Rafale or the US Agile Falcon.

Renewal of the Eurofighter bid creates a three-way tussle in one of the very few European countries still undecided on its next generation of military jet fighters. Last week Spain joined the UK, West Germany and Italy in the Eurofighter project, leaving France to fly solo with the Rafale, and the Netherlands, Denmark and Norway likely to join the US with the updated F-16, known as the Agile Falcon.

Executives of the Munich-based Eurofighter organisation said yesterday they will in the next few weeks make the Belgian government a firm offer based on the participation of Spain in the the programme.

Belgian officials said yesterday that they had for the past two years been weighing up the Eurofighter, along with the Agile Falcon and the Rafale. They appear to be presented with a real dilemma, or perhaps "trilemma." Some companies in Belgium's aircraft industry prefer the Rafale, because as France's only foreign partner they might get a large share of development.

However, the air force and government, whose socialist defence minister is under severe budgetary constraint, might well leans towards the Agile Falcon, which will be the cheapest alternative – provided the US air force definitely buys it and pays for most of the development costs.

By contrast, the Eurofighter would probably be more expensive than the F-16 derivative and give Belgian industry only a share of development commensurate with a probable 5 per cent national share in the project. But Eurofighter executives claim theirs is the only project that has got beyond the drawing board, and on which firm prices can be quoted.

E Berlin rights group held during Ceausescu visit

By Leslie Colitt in Berlin

MR NICOLAE Ceausescu, increasingly isolated Romanian leader whose plan to raze thousands of villages has met with widespread outrage, begins an official visit today to East Germany which has refrained from criticising him.

Members of an East Berlin human rights group suspected of wanting to demonstrate against Mr Ceausescu were placed under house arrest for the Romanian leader's two-day visit.

Mr William Totok, an ethnic German writer from Romania who lives in West Berlin, said he and several other emigrants who had publicly criticised Romania's human rights record had received letters threatening their lives from the Romanian secret police, Securitate. The West Berlin authorities granted them police protection.

Although several of the more than 7,000 Romanian villages set for elimination are inhabited by ethnic Germans, East Germany is treating the resettlement programme as an internal Romanian affair. By contrast, West Germany has protested strongly to Romania on several occasions and is assisting ethnic Germans who want to leave Romania.

Mr Gyula Horn, Hungarian state secretary for foreign affairs, sharply attacked Romania's "catastrophic policy" toward its national minorities in a remarkable appearance this week before a meeting of the North Atlantic Assembly in Hamburg.

He was the first Warsaw Pact official to address a meeting of Nato parliamentarians. Hungary is engaged in a running conflict with Romania over the harsh treatment of the 1.7m ethnic Hungarians in Romania, many of whom live in villages to be razed.

Mr Horn called on Romania to conform with international agreements and demanded a "system of control" for human rights questions in Europe. He noted that the Warsaw Pact, at Hungary's request, was going to set up a human rights commission.

While remaining silent on Romania's human rights abuses, East German officials privately expressed dismay over the country's dismal economic situation which directly affected trade with its Comecon partners.

They criticised Mr Ceausescu's costly prestige projects such as the under-used Danube-Black Sea canal, the grandiose Victory of Socialism Boulevard in Bucharest and a superfluous land reclamation scheme in the Danube delta.

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Irish Government changes the guard at Brussels

Kieran Cooke and William Dawkins profile the country's incoming and outgoing EC Commissioners

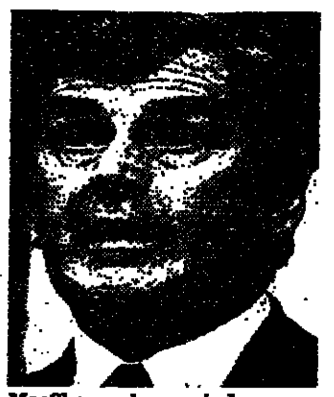
SUPER MAC, Ireland's Iron Man, Mac the Knife and The Axe are just some of the journalistic tags used to describe Mr Ray MacSharry, Ireland's Minister for Finance and future European Commissioner.

Mr MacSharry, 50, was appointed to his present government position when the Fianna Fail party came to power in February 1987. Mr Charles Haughey, the Prime Minister, has taken much of the credit for moves which have brought new confidence to the economy. But most people feel the real credit belongs to Mr MacSharry.

In the past 20 months he has reversed almost single-handedly Ireland's perilous slide into ever greater debt. Public spending has been cut drastically. Thousands of public service jobs have gone. Most importantly, Mr MacSharry has managed to convince the public of the need for stringent financial controls. Even at a time of the most severe cuts in 20 years the Government's popularity is growing.

"He is the most clear minded and impressive minister in this government," was the verdict of one opposition member of Parliament.

Mr MacSharry is in many ways the opposite of Mr Peter Sutherland, Ireland's present Commissioner. While Mr Sutherland has gained a reputation as an urbane, sophisticated Eurocrat, Mr MacSharry is more a creature of traditional grass-roots Irish politics.



MacSharry: keen mind

Born in Sligo in the west, Mr MacSharry remains deeply attached to his homeland. He has represented a local constituency for nearly 20 years and is loyal to, but not close to, Mr Haughey. Leaving school without completing his final studies, his early experience included work in an abbatoir, running a haulage business and organising a ballad festival.

Unlike other politicians, he is not rich. He has worked his way up the political ladder and has not used his position to dispense favours. He has made no secret of his European ambitions and is by no means an EC new boy. His first taste of Europe came in 1977-79 when he was Irish junior Finance Minister, attending and chairing EC Budget Council meetings.

More European experience followed when he was appointed Agriculture Minister in Mr Haughey's government of 1979-81 and during a term as a European MP in 1984-87. But it was only when Mr MacSharry took on his present job that his capabilities really began to show. His doggedness and sound judgment, his ability to grasp complex briefs and what one colleague described as a magical memory have all come to the fore.

In recent weeks Mr Haughey has been ill. The Dublin rumour mills have talked of Mr MacSharry as a likely successor. Yet the man himself seems to have few further political ambitions within Ireland. He has made no secret of his desire for a top rate job in Europe, possibly the Commission's portfolio on Agriculture or on Social Affairs.

The future Irish Commissioner was once described as having dark, Transylvanian good looks. No one should doubt the keen and tough mind that drives the man.

THERE IS an irony about the replacement of Mr Peter Sutherland as the fearlessly controversial European Commissioner for Competition policy.

His departure came not as a result of pressure from one of the many powerful interests he has challenged during his four-year-battle against anti-competitive commercial practices, but because he belongs to the wrong Irish political party, Fine Gael.

The £80,000-£100,000 per year Commissionership is possibly the richest reward an Irish Prime Minister can offer a faithful colleague. Mr Haughey could hardly have given it to a political opponent, even though Mr Sutherland has been an unforgettable alternative ambassador for Ireland.

At 42 years old, Mr Sutherland has been one of the youngest Commissioners as well as among the most powerful. He has spearheaded campaigns to liberalise air transport and telecommunications; he has forced the repayment of record sums of state aid in occasionally very politically sensitive circumstances; he has been a scourge of cartels and made real progress in trying to extend the Commission's anti-trust powers.

Few people are betting that Mr MacSharry will get the

Sutherland: powerful

same job when the handover happens at the turn of the year, if only because Dublin has left the announcement so late that it is too late to bargain for the best portfolios. The UK's Mr Leon Brittan is reputed to have expressed his interest already.

Mr Sutherland's high profile is partly a measure of his aggressively pro-free market instinct. But it is also due to the fact that the Commission is developing a tougher competition policy, after a long period when, barring the attack on IBM's alleged abuse of technological dominance, it was the most discreet of policemen.

This is one of the very few areas where it can act autonomously, whether in curbing anti-competitive state aid, fining and breaking cartels, or forcing changes to monopolistic mergers – though in this last field, Mr Sutherland thinks the Commission's power does not go far enough.

He followed that up with an onslaught on the telecommunications terminal equipment industry. Here, the Commission relied on a little used EC rule that allowed it to issue and enforce a directive dismantling telecommunications authorities' monopoly powers, without going through the normal process of obtaining member states' agreement, a move which the French Government is now challenging in court.

Mr Sutherland has had a big influence in the car industry, where he has substantially curbed proposed state subsidies for Daimler Benz, Renault and Rover. Overall, Brussels ordered EC governments last year to reclaim a record Ecu 747m (£493m) worth of illicit aid to industry, an enormous increase on the Ecu 11m they had to claw back in 1986.

This tough line on state aid has sometimes brought the Irishman into conflict with Mr Jacques Delors, the Commission president, though it has also been exploited by member-states wishing to stop anti-competitive practices by EC neighbours.

Pretoria urged to clamp down on extreme right

By Anthony Robinson in Johannesburg

Pressure is mounting on the South African Government to crack down on right wing white extremist organisations such as the Afrikaner Resistance Movement (AWB) in the wake of Tuesday's massacre of blacks in Pretoria by a deranged white former policeman.

Six black people were killed and 17 injured before police arrested 23-year-old Barend Hendrik Strydom after he ran amok in the Pretoria city centre shooting black pedestrians and a street sweeper at random with an automatic pistol. One black woman was shot down in front of her young son.

Mr Strydom was discharged from the police force earlier this year for improper conduct and is a self-confessed member of the AWB and leader of the so-called Wit Wolwe or white wolves.

A group calling itself the Wit Wolwe has claimed responsibility for a series of attacks on liberal or left-wing institutions in both South Africa and Namibia over the past few months. Targets included Khanya House, home of the South African Catholic Bishops Congress, Witwatersrand University and Namibian newspaper offices in Windhoek.

The massacre took place the day after President P.W. Botha addressed the opening session of the Transvaal National Party congress without making an expected announcement about the possible release of Mr Nelson Mandela, the jailed African National Congress (ANC) leader.

Shortly after his speech an unidentified man telephoned the political correspondent of Beeld, the leading Afrikaans newspaper, to say that the President would have been assassinated had he made such an announcement. The caller also warned Beeld to expect something spectacular in Pretoria the next day. Police are investigating a possible linkage between the death threat and the subsequent shooting incident.

Meanwhile delegates at the party congress yesterday called on Mr Adriaan Vlok, the Minister of Law and Order, to take tough action against the AWB and other extremist right-wing organisations. Delegates argued that action was needed not only to safeguard the President and prevent similar occurrences but also to reassure blacks that the Government was as committed to stamping out white terrorism as it was to banning and jailing black radical movements such as the ANC and United Democratic Front affiliates.

The shootings took place less than a kilometre from the Pretoria Supreme Court where Mr Mandela and other ANC leaders were jailed for life 25 years ago and where Mr Justice Van Dijkhorst is currently summing up in the lengthy trial of UDF leaders accused of treason, subversion and terrorism.

Angola deal raises key issues

By Anthony Robinson

A FULL Cabinet discussion of the Geneva draft agreement on Cuban troop withdrawals from Angola and related issues will take place early next week, government officials said yesterday.

Until then Pretoria is remaining silent on an agreement which leaves unsolved several big issues. These include the role of the rebel Unita movement led by Dr Jonas Savimbi in any future Angolan government and relations between the South West Africa People's Organisation and the other political parties inside Namibia once UN Resolution 435 is implemented.

Pretoria's ability to continue its military support for Unita will be sharply curtailed after implementation of 435. It will be required to withdraw all but 1,500 South African troops from the territory within three months of the start of implementation.

Those 1,500 furthermore will be restricted to garrison duties at the Grootfontein and Oshivelo bases more than 100 kms from the border across which supplies have up to now been forwarded to Unita. The border area will then be in the hands of the 7,500 UN troops of the United Nations Technical Assistance Group.

Ensuring that Cuban-backed Angolan government and Swapo forces resist the temptation to attack Unita forces bereft of South African air and long-range artillery support after 435 is implemented, is one of Pretoria's main requirements.

Of equal importance is confidence that a post-war Angola coupled with an independent Namibia does not merely mean the shift of a hostile border from the Cunene River nearly 2,000 kms south to the Orange River.

While Pretoria kept its counsel yesterday, politicians in Windhoek openly voiced their apprehension. Mr Andrew Matjila, Minister of Education in the transitional government, warned: "If the agreement does not provide for a process of national reconciliation in Angola and Namibia, we are still far from a solution to the regional conflict in southern Africa."

Roughly 60 per cent of Namibia's 1.2 m population are Ovambos, most of whom live in a fertile belt less than 200 kms deep along the frontier with Angola. This has been the war zone for the past 20 years and it is here that Swapo has its main support.

Meanwhile, on the other side of southern Africa, the Mozambican and South African governments have been quietly re-building economic and military relations following the recent visit of President Botha and other senior politicians and military men to Mozambique.

South Africa has agreed to rescind its 1986 decision to repatriate Mozambican workers, mainly miners, and yesterday announced a multi-million rand training scheme for the Mozambican unemployed.

US Jews count the cost of Israeli election

Lionel Barber reports that Orthodox demands are likely to strain US friendship

THE feverish horsetrading which led this week to Mr Yitzhak Shamir's appointment to form the next Israeli Government may come at the price of further strain in relations with the American Jewish community.

American Jewish leaders are incensed by the apparent willingness of the Likud leader Mr Shamir – and, incidentally, his Labour Alignment rival Mr Shimon Peres – to bow to the political demands of Israel's small religious parties.

Particularly controversial are proposals for changes to the historic law defining Jewish identity.

If Mr Shamir forms a narrowly based coalition with the religious parties which hold the balance of power, rather than another national unity government with Labour, he is likely to have to yield to ultra-orthodox demands to change the Law of Return and so exclude many non-Orthodox Jewish converts and their children from the right to become Israelis.

This week 35 American Jewish organisations, said to represent 90 per cent of the nation's near-6m Jewish population, appealed to Israeli leaders to block the demands of the religious right, warning that any change in the law would damage Jewish unity irreparably.

Jewish leaders in the US are prone to the occasional hyperbole. But this latest outburst suggests that relations between leaders of the American Jewish community and their Israeli counterparts – already strained by Israeli intransigence over the future of the occupied territories and the Palestinians – are about to take a turn for the worse.

Ultra-orthodox: want a narrow definition of who is a Jew and strict observation of the Sabbath

Of course, the durable, wily Mr Shamir, 73, may yet defy the pessimists and persuade his future coalition to find a formula which avoids changing the law. "I remember going through this Sturm and Drang before," said Mr Abraham Foxman, national director of the Anti-Defamation League of B'nai B'rith.

For the moment, however, the majority of American Jewish leaders are braced for amendments to the Law of Return, which dates back to the creation of the state of Israel in 1948 and says that a Jew who emigrates to Israel is guaranteed full Israeli citizenship. It defines a Jew as someone whose mother is Jewish or who has been converted to Judaism. Thus, its great importance lies in its embrace of Jews in the diaspora who still look on the state of Israel as their symbolic homeland.

The ultra-Orthodox parties wish to narrow the definition of who is a Jew to one who is born Jewish or has been converted by an Orthodox Rabbi, excluding the many Jews around the world converted in non-Orthodox traditions. These parties also want stricter observance of the Sabbath.

The immediate problem is that around 90 per cent of American Jews are not of the Orthodox faith, but identify themselves with the Conservative and Reform movements. If the proposed changes go through, many Americans, in particular the converted wives and children of Jewish men, face being excluded from Israeli citizenship.

Mr Henry Siegman, executive director of the American Jewish Congress in New York, speaks of "a sense of betrayal," while other Jewish leaders complained at the weekend they were being turned into "second-class citizens."

The sophists argue that the proposed changes in the law are not important because they affect only those Americans likely to emigrate to Israel who are not already Orthodox converts. It is estimated that more than half the American Jews who emigrate to Israel are Orthodox.

But this misses the larger picture. American Jews are already uncomfortable with the inability of Israel's political leaders to deal with the Palestinian uprising and the occupied territories of the West Bank and Gaza Strip. Further signs that Israel is moving along the path of religious intolerance can only further strain relations with American Jews.

The question is at what point this "discomfort" translates into outright anger and a consequent diminution of political and financial support for Israel.

As yet, no American Jewish leader is prepared to think the unthinkable. Indeed, most draw a careful distinction between support for Israel's political leaders and support for the state of Israel. While they may rail against the former, the latter remains inviolate. "It is a luxury to disagree intellectually," said one Jewish leader in Washington, noting Israel's near isolation in the Middle East, "but the other agenda for American Jews is fear (for Israel's survival)."

One of the great strengths of the American Jewish community in this century has been its cohesion and dynamism. It has helped launch Jews into positions of political power and helped to make the US Israel's most solid and reliable ally. But if the present tensions escalate, Mr Siegman warns, they will inevitably lead to some loss of that vitality and a consequent erosion of that bedrock support.

Civil war peace plan puts strains on Sudan coalition

By Julian Ozanne in Nairobi

A PEACEFUL resolution to the civil war raging in Southern Sudan could be brought one step closer with the signing of an agreement between Sudan's Democratic Unionist Party and the rebel Sudan Peoples Liberation Movement, scheduled to take place last night.

Mr Mohammed Osman El Mirghani, leader of the DUP and Colonel John Garang, leader of the SPLM, were due to make the announcement at a joint press conference after two days of talks in the Ethiopian capital Addis Ababa.

The agreement lays down a timetable for peace in the south. It calls for a ceasefire, the date of which has yet to be announced, the immediate lifting of the state of emergency, and postponement of the reintroduction of fundamentalist Islamic law until a constitutional conference can be convened. It also includes a programme to deal with the emergency shortage of food and basic supplies in the war-torn south.

Although the deal still has to receive the official backing of the Sudanese Government, the DUP, the second largest party in the ruling coalition, is widely believed to have had the blessing of Mr Sadiq el Mahdi, the Prime Minister.

And according to Sudanese diplomatic sources, Mr El Mirghani and Hussein Abou Saleh, the Foreign Minister, the leaders of the DUP delegation, have kept in close contact and consultation with the prime minister during the talks.

The peace formula follows principles laid down at talks between El Mahdi's UMMA party and the SPLM in 1986. But this is the first time the DUP has lent its weight to a deal, and firm details and a ceasefire timetable been thrashed out. But it remains to be seen whether the agreement will get government backing.

There are powerful elements in Sudanese politics opposed to the terms of the peace deal. The day before Mr El Mirghani left for Addis Ababa, unidentified gunmen opened fire on his house in Khartoum. And the National Islamic Front, the third main political party in the coalition, has criticised the talks and is known to be hostile to any deal with the SPLM which threatens to delay the reintroduction of Sharia Law.

The NIF joined the coalition in April this year on the condition that Sharia Law would be on the statute books within two months.

But there are also powerful reasons why Mr El Mahdi may choose to push through an agreement in the face of NIF opposition. Personally he is committed to a speedy resolution to the five-year war which drains Sudan's economy.

Whatever the result of the latest initiative it seems almost certain that new strains will appear in the coalition.

OVERSEAS NEWS

Current account deficit soars in Australia

By Chris Sherwell in Sydney

A NEAR-RECORD monthly current account deficit in October has pushed the Australian Government's forecast for the year virtually out of reach and revived embarrassing questions about the weakness of the country's balance of payments.

Statistics released yesterday showed a current account deficit of A$1.685bn (£793m) for October, way beyond the most pessimistic expectations and a figure exceeded only once before, exactly two years ago. The merchandise trade deficit was a record A$681m, reflecting a sharp surge in imports.

In the four months since the start of the 1988-89 financial year, the current account deficit has now reached A$5.4bn – significantly higher than the A$4.72bn recorded in the same period last year, and well over half the A$9.5bn forecast for the full year.

Mr Paul Keating, the Federal Treasurer, who made that forecast less than three months ago, finally acknowledged yesterday that it was now unlikely to be met. But he said the deficit would still finish close to his forecast 3 per cent of gross domestic product, and insisted that last week's tightening in monetary policy was adequate to moderate growth in the buoyant domestic economy.

The Liberal opposition castigated the Government over the result. Mr Andrew Peacock, its shadow economics spokesman, said it underlined the "perilous state" of the balance of payments, while Mr John Hewson, another shadow economics minister, claimed the deficit was running A$3bn above projection and proved the balance of payments was "structurally weak".

Any prospect of the Federal Government further tightening fiscal policy was ruled out by Senator Peter Walsh, the Finance Minister, who insisted that the Government had already reached the limit of federal spending cuts.

Keating: close finish

On the financial markets reaction was sharpest on the money market, where interest rates on 90-day Treasury bills firmed sharply. In the Reserve Bank's weekly tender, the average yield on A$400m of 90-day paper was 14.856 per cent, up from 14.677 per cent a week earlier, and expectations rose of another round of rises in bank lending rates.

On the foreign exchanges the Australian dollar lost ground against leading currencies, finishing at 62.0 on the trade-weighted index (May 1970=100), down from 62.4 on Tuesday. Last week's tightening in monetary policy had carried the index above 62 for the first time since August.

For the Australian public, the big question is whether the latest signs of economic trouble will affect government promises of significant personal tax cuts to take effect from next July. The size of the cuts is being negotiated with the trade union movement in a novel trade-off for wage restraint.

India and Soviet Union plan to increase trade

By K.K. Sharma

INDIA AND the Soviet Union are to increase their two-way trade turnover by 35 per cent in 1989 when it is expected to be around Rs70bn (£2.6bn) compared to the Rs52bn estimated for this year.

The increase in the turnover has been provided for in a protocol signed in New Delhi yesterday, two days before Mr Mikhail Gorbachev, the Soviet President, is to make a three-day visit to India.

This will be Mr Gorbachev's second visit to India in two years and the protocol is clearly timed to underline the markedly closer economic relations between the two countries. During his first visit in November, 1986 it was decided that the trade turnover would be increased by 250 per cent by 1990.

Since then, several delegations have been exchanged for the purpose. However, problems still remain in finding enough Soviet products for export to India to ensure the balanced trade that is envisaged between the two countries.

Yesterday's protocol provides that India will export Rs38bn worth of goods to the Soviet Union next year while Soviet exports are to total Rs32bn, leaving a balance of Rs6bn in India's favour.

The Soviet Union has complained in the past that India does not import enough from it and this has given rise to the problem of huge "technical credits" which each country gives the other to deal with imbalances.

This is sought to be rectified in the long run by importing equipment for Soviet-built projects in India but, although many of these have been identified, work on them has still to begin. Until then, it is obvious that the problem of rising "technical credits" given by India will remain.

As in the past, India's main import from the Soviet Union will be crude oil although some new products have been listed in the protocol, notably aircraft for India's domestic and international airlines.

India's exports will consist of engineering goods, equipment for construction projects that have been contracted for by Indian companies, and a wide range of consumer goods such as ready-made garments, tea, coffee, shoes and toothpaste.

Japanese take to the pre-paid plastic card business

Michiyo Nakamoto *reports on growth in near-money instruments that worry the financial authorities*

THE Japanese, who have always shown a propensity to save money, are now taking to the idea of spending it in advance to buy prepaid cards for a wide variety of services and a growing number of goods, including hamburgers.

The prepaid card business is expected to be a hot growth area, judging from the large number of financial firms and other companies eager to take part in two venture businesses set up for the sole purpose of issuing prepaid cards.

This month, C. Itoh, the leading trading house, joined hands with some of the biggest names in Japanese banking and insurance to form a prepaid card business, called Area Links. Next month, another operator, Prepaid Card System, will be set up by about 50 companies led by Japan Credit Bureau (JCB) and a host of domestic banks.

Although both companies will start by issuing prepaid cards for specific purposes, their aim is to organise a network of companies that will allow them eventually to issue multiple-use cards that can be used to pay in advance for a number of goods and services.

The prepaid card fever in Japan began back in 1982 when Nippon Telegraph and Telephone introduced prepaid telephone cards ranging in value from Y500 to Y5,000. The cards soon caught on not only for their convenience but also – since smartly designed cards were introduced in 1984 – for their uses as promotional give-aways and personal gifts. Last year NTT sold Y138.5bn worth of both standard and designed telephone cards.

Teleca, the company that manages the production and sales of NTT's cards, has made perfumed telephone cards, cards that flash holograms, and cards that carry all sorts of messages ranging from wedding announcements to charity drives. Teleca claims that the variety and ingenuity of card designs has started something of a fad with avid collectors ready to pay several hundred thousand yen for rare and unused cards.

On Saturday Teleca will start issuing auto-dial cards which are prepaid telephone cards that will automatically dial a specified number that is pre-recorded onto the card. Taxi companies, for example, can give away cards with their number pre-recorded as promotion material and hope to convince clients of their convenience.

Japan Railways Group introduced a prepaid Orange Card in 1985 and sales have risen steadily, in part helped by a promotional drive in which cards are issued for every imaginable occasion, such as the anniversary of the opening of obscure branch lines. For East Japan Railway Company alone, which operates JR's eastern lines centring in Tokyo, total sales from prepaid cards in 1987 reached Y23.5bn.

> The cards soon caught on not only for their convenience but also – since smartly designed cards were introduced in 1984 – for their uses as promotional give-aways and personal gifts

While both NTT and the JR group issue their own cards, the two companies being formed this year will issue cards for other companies, beginning with their own members. Area Links – a joint venture, which beside C.Itoh, includes Nippon Shinpan, Japan's largest consumer credit service, Tokyo Marine and Fire Insurance, the largest non-life insurance company in Japan and an impressive list of domestic banks – was established in Tokyo on November 1.

Area Links will introduce a prepaid taxi card next April that will be accepted by a number of taxi companies in the Kansai area (in western Japan). The company hopes eventually to introduce prepaid cards that could be used to pay for dry cleaning, purchases at convenience stores and, as might be expected in Japan, practice swings at the local driving range.

Prepaid Card System, a company to be set up in December by financial, retailing, manufacturing and service interests, plans initially to introduce prepaid cards for use at smaller supermarkets. Like Area Links and Japan Card System, Prepaid Card System envisages the development of a multiple-use prepaid card covering a wide variety of goods and services.

But, as one official at JCB admitted, the multi-purpose prepaid card faces many legal and tax difficulties that need to be solved before it can be introduced onto the market. "A prepaid card that has multiple uses is like currency. The more comprehensive the card is, the more complicated are the problems," says an official at JCB. Such concerns have already led to the formation of study groups within the Ministry of Finance and the Ministry of International Trade and Industry to consider the problems involved in allowing companies freely to issue prepaid cards and to suggest relevant restrictions.

The MoF's main concern is that the companies issuing such cards will be, in effect, deposit-taking institutions, and will have to manage huge amounts of cash. MoF is worried that any mismanagement of funds on the part of the card companies could lead to financial trouble affecting vast numbers of people. The MoF is likely to take specific measures to regulate the prepaid card business after January next year when its study group is due to make recommendations.

The Bank of Japan is no more happy with recent developments in the plastic money market. The central bank is concerned that multiple-use cards are similar enough in function to currency to have a direct impact on the regular money supply. If unchecked, their spread would threaten the bank's control over the supply and flow of money.

Although the companies involved in the prepaid card business are well aware of the difficulties involved in issuing multi-purpose cards, both Area Links and Japan Card System admit their ultimate goal is to do just that.

"We will probably have to limit the use of our cards to specific areas at first, but eventually we would like to issue a card that can be used for many different purposes," said an official at Nippon Shinpan.

Japan Card System, which has been in the business since 1986, has already taken steps in that direction. The company has issued prepaid cards for soft drink and cigarette vending machines and Baskin-Robbins ice cream and it plans to introduce a McDonald's hamburger prepaid card in Tokyo next week. The new card is one of its series of U-cards – for universal and ultra-useful cards – which it would like to combine into a single multiple-use card in the near future.

Singh under fire over bribe claim

By K.K. Sharma in New Delhi

AN OBVIOUSLY triumphant Mr K.C. Pant, India's Defence Minister, yesterday attacked Mr V.P. Singh, the opposition leader, for the latter's failure to repeat in parliament his charge that Mr Rajiv Gandhi, the Prime Minister, had deposited bribes in a numbered Swiss bank account.

Mr Singh should retire from public life, said Mr Pant. Such "slanderous and irresponsible" charges, Mr Pant said in his reply to a two-day debate in parliament on alleged payment of commissions by Bofors, the Swedish arms manufacturer, to win an Indian defence contract, would not help to bring about a sensible working relationship between the Government and the opposition.

Mr Pant rejected the demands of the opposition to order a fresh parliamentary inquiry into the charges and also refused to cancel the $1.4bn contract with Bofors for supply of howitzers to the Indian army. The minister also claimed that Mr Singh had produced documents that had nothing to do with the Bofors deal and added that the sums he suggested as commission payments were exaggerated.

Although the last has obviously not been heard of the Bofors issue, Mr Singh's failure to repeat his accusation against the Prime Minister in parliament has seriously eroded the credibility of the opposition. Congress-I party members had threatened to launch breach of privilege proceedings against Mr Singh if he said that Mr Gandhi had deposited bribes in a Swiss bank.

The popular expectation had been that Mr Singh, former Finance and Defence Minister in Mr Gandhi's Cabinet and considered to be his main rival, had hard evidence for the charge he had made in public. Mr Singh's image has been tarnished as a result of his failure to produce any.

Criticised Indonesia resettlement plan gets $39m aid

By John Murray Brown in Jakarta

INDONESIA'S huge resettlement programme, which has been much criticised by environmental groups, received a badly-needed financial fillip this week with the announcement of a $39m (£21.6m) food aid agreement with the World Food Programme.

The aid which is to be targeted for some 200,000 transmigrants on sites in Sumatra, is described by WFP as one of its largest ever food assistance programmes. WFP has provided $63m in assistance since 1972.

Bad site selection, coupled with sharp cuts in the Government's budget, has raised serious doubt about a programme which has already moved about 4m people from the over-crowded main island of Java to less populated outer islands at a cost of $7bn. Government spending on resettlement has fallen from Rupiah 581bn (£186m) to Rupiah 111bn this year, largely as a result of a decline in oil earnings, the largest source of state revenues.

The World Bank, which has provided $650m, is under pressure from its environmental lobby. The Bank is currently finalising a new $150m loan to improve the quality of existing sites, build roads and give the settlers access to markets to sell their produce.

The latest WFP agreement comes amid reports that growing numbers of settlers unable to make a living due to poor soil conditions are leaving to find alternative employment. According to one official account, a staggering 15 per cent of all settlers have returned to Java.

Others are resorting to slash-and-burn agriculture, so adding to the destruction of Indonesia's tropical forest now disappearing at a rate of 1m hectares every year.

AMERICAN NEWS

Argentina seeks fresh bank loans

By Gary Mead in Buenos Aires

MR DANIEL MARX, director of Argentina's Central Bank, will today hold further talks in New York with commercial bank creditors in an attempt to secure $4bn of loans.

The loans would be used to cover interest payments on the country's $58bn foreign debt until the end of 1989.

Commercial banks are concerned at Argentina's interest arrears on earlier loans. Despite an interest payment of $100m last month, Argentina is now believed to be at least $1.2bn in arrears. With a relatively healthy foreign currency reserve of $3bn, bankers believe Argentina is able to make payments. But Government officials are reluctant to do so without a guarantee of fresh loans.

● Mr Carlos Menem, Peronist candidate for Argentina's Presidential election next May, has said he would, if elected, impound 300,000 hectares of what he claims is British Crown land in Patagonia.

The action would be in retaliation for what he regards as British intransigence concerning sovereignty over the Falkland Islands, the property being held until a solution was reached.

Big swing to left in Brazil's municipal polls

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S political centre of gravity shifted dramatically to the left yesterday as results from Tuesday's nationwide municipal elections confirmed sweeping gains for socialist parties.

The most astonishing victory came for the Workers' Party (PT) whose virtually unknown candidate, Ms Luiza Erundina, has emerged from behind to become mayor of Sao Paulo – Brazil's largest city with a budget in billions of dollars – from Mr Paulo Maluf, a prominent right-winger.

PT candidates also look certain to capture a fistful of other state capitals as well the important industrial towns of Campinas and Santos in Sao Paulo state and the large southern city of Porto Alegre.

The other main beneficiary in the voting, already being interpreted as a huge vote of non-confidence in the enfeebled government of President Jose Sarney, is the Democratic Workers' Party (PDT).

As expected, the party – dominated by its populist leader, Mr Leonel Brizola – swept the field in Rio de Janeiro as well as winning the wealthy southern capital of Parana state, Curitiba.

Voters have dealt a body blow to the centrist Brazilian Democratic Movement Party (PMDB), which has commanded the centre ground of politics since it emerged as the principal opposition to military rule in the 1970s.

It was clear yesterday, however, that the party's participation in a governing coalition with the right-wing Liberal Front (PFL) has not been forgotten by electors.

Latest forecasts suggest that the PMDB can be certain of holding only four of the 17 state capitals it has dominated for the past four years, though three others are also possible. Despite a formidable party machine, it has humiliatingly lost every major city in its southern heartlands.

Mr Ulysses Guimaraes, the PMDB leader, had been attempting to distance the party from President José Sarney's administration since the middle of the year as monthly inflation topped 20 per cent.

Already declared as a candidate for next year's presidential elections, he now looks certain to move to the left in an effort to distance the party further from Mr Sarney's regime.

Clearly, both the PT and the PDT are now reaping the benefits of long-standing opposition to the Sarney government.

Both are populist parties drawing their support from the poorest sections of Brazil's 140m population. Both advocate either a moratorium or a radical renegotiation of Brazil's $120bn foreign debt, a major shift in the distribution of wealth to the poor, and strong backing for land reform.

Until this week, the PT, with just 17 deputies in Congress, had appeared little more than an articulate socialist lobby, uniting Sao Paulo's more politically sophisticated trade unionists with a rag-bag coalition of middle-class intellectuals and Bohemians.

Today, the PT president and former militant autoworkers' leader, Mr Luis Inacio Lula da Silva – known universally as Lula – is in serious contention for the presidency.

So equally is Mr Brizola, the former Rio governor and a charismatic populist in the old "caudillo" mold of Latin American strongman politicians. Unlike the ideological PT, which prides itself in its programmes and internal democracy, the PDT's sole raison d'etre is to get its leader into the president's palace.

Sununu tipped to become Bush's chief of staff

By Lionel Barber in Washington

PRESIDENT-ELECT George Bush is expected to announce shortly that he has chosen the former New Hampshire governor Mr John Sununu as his White House chief of staff.

Mr Sununu, a Cuban-born former college professor, has virtually no experience in Washington, but he would prove a popular choice among conservatives worried about the ideological fibre of the Bush administration.

Mr Bush owes a great deal to Mr Sununu who helped him win the New Hampshire primary election last February, enabling the Vice President to salvage his campaign after a stunning loss in the opening Iowa caucuses.

Mr Sununu, 49, is not the unanimous choice among senior Bush aides, some of whom favoured the Vice President's current chief of staff, Mr Craig Fuller, working in a troika with Mr Sununu and Mr Robert Teeter, Mr Bush's pollster and political adviser. But Mr Fuller is only 37 years old, and Mr Bush is said to have wanted a political figure of enough stature to deal with Congress.

Mr Fuller paid tribute to Mr Sununu's skills yesterday: "I have in no way opposed John Sununu. He has been extraordinarily helpful in the campaign."

Mr Fuller is co-director of the team managing the transition from the Reagan administration to the Bush administration which must be completed by Inauguration Day next January. The other co-director is Mr Teeter who yesterday dampened speculation that he will stay on in a senior White House post.

The transition team is drawing up names to fill 500 senior administration positions, including Cabinet posts. The priority selections are in economic and foreign policy, Mr Fuller said, and would be unveiled soon.

The team is also working closely with the present White House chief of staff, Mr Kenneth Duberstein, who reportedly deliberately delayed a series of thorny policy announcements until after the November 8 election in order to help Mr Bush's campaign.

Tight race puts reluctant state under spotlight

David Owen meets the cynical voters of British Columbia

THE electoral spotlight is squarely on the reluctant west coast province of British Columbia at present in a contest in which every seat may tell.

The average British Columbian usually displays a deep-seated cynicism about the province's role in the Canadian federal political compact. "Because of the time difference you are often told the election result two minutes after you leave the polling booth," says Mr David Eirikson, political science professor at the University of BC. "There really is a strong feeling here that the province doesn't count."

All told, BC is three hours behind and 2,000 miles away from the political heartland of Ontario and Quebec, the location of 174 of the 295 seats on offer.

But even in cynical BC, emotions have been stirred by the thought that its votes will count in this election contest. With the Liberals running third in most BC constituencies – despite their remarkable mid-campaign revival – the ruling Conservatives find themselves in a two-horse race with the left-of-centre New Democratic Party (NDP).

If this week's Gallup poll is a reliable guide, the Conservatives face a formidable challenge: it showed the NDP with the support of 40 per cent of voters – 12 points ahead of the Tories.

The Liberals are a further 3 points in arrears. The Vancouver Quadra seat held by Mr John Turner, the Liberal party leader, is one of only two constituencies west of Ontario to boast a Liberal MP.

Perhaps the prime reason for the apparent downturn in Conservative fortunes resides in the party's guilt by association with the beleaguered Social Credit party (Socred) provincial government of Mr William Vander Zalm. According to Mr Kenneth Carty, another University of BC professor, a full 60 per cent of those who elected Mr Vander Zalm at a Socred party convention are "card-carrying federal Tories."

The party's only worthwhile provincial opposition comes from the local NDP and its current popularity is buoying support for federal NDP candidates in the ongoing campaign.

The federal party accordingly expects to build handsomely on its 1984 general election tally of eight BC seats (against 19 for the Tories). The most optimistic forecasts show them taking 25 of the 32 ridings (constituencies) at stake. Neutrals posit 16-18 as a more realistic target.

Stung by the NDP threat, the Conservatives have mobilised effectively in a bid to restrict left-of-centre gains to manageable levels. For one thing, the party has assembled a surprisingly strong slate of BC candidates. Their ranks are headed by Mr John Fraser, the speaker of the House of Commons, who is running a wholly non-partisan campaign, and Mr Gerry St Germain, a recently promoted minister, who was first elected to Parliament on the same day as Prime Minister Brian Mulroney.

The party is also expected to benefit from widespread support in the key provincial resources sector for Mr Mulroney's bilateral free trade agreement with the United States. In BC, as elsewhere, the pact is very much the dominant election issue.

It is the demographically diverse Vancouver centre riding that is being looked to as a barometer of how successful Tory efforts to stem the NDP tide will ultimately be.

Following the resignation for health reasons of Ms Patricia Carney, the sitting MP and former Conservative international trade minister, the riding was widely expected to fall. In fact, Ms Johanna den Hertog, the NDP's national president, was thought to have a sporting chance even before Ms Carney's resignation.

The nomination of Ms Kim Campbell, a combative, pint-sized Socred backbencher, to replace Ms Carney has placed a hefty barrier in the way of Ms den Hertog's passage to Ottawa, however.

While Ms Campbell's Socred credentials may yet prove her undoing, she has been branded a dissident by Mr Vander Zalm's supporters. The feeling locally is that if any candidate can defeat the rather pedestrian Ms van Hertog, it is the pugnacious Ms Campbell. "If she can convince the electorate that a vote for her is a vote against Mr Vander Zalm, she will win," according to one prominent commentator.

The most optimistic of NDP campaign workers also have Mr Turner's riding of Vancouver Quadra in their sights.

With the redrafting of constituency boundaries, the seat has been enlarged to include a large chunk of the now defunct Vancouver Kingsway riding, formerly represented by the NDP's Mr Ian Waddell. This has bolstered NDP confidence in its ability to unseat the illustrious incumbent in a tight three-horse race.

Efforts by Canadian business to increase support for the free trade deal with the US may be paying off.

A Gallup poll shows support for the deal at 32 per cent against 26 per cent a week ago. Opposition to the agreement has declined from 50 per cent to 45 per cent.

Business groups have been unusually active in courting support for free trade. Some companies and lobby groups are distributing literature to employees which warns of job losses if the deal falters.

Ms May Brown, Mr Turner's canny campaign manager, believes otherwise – although she concedes that "our opposition is the NDP." In the aftermath of the Liberal leader's gritty performances in the recent televised election debates, few impartial observers would contradict her.

There is even one Vancouver riding – Burnaby – which the NDP, by some estimations, could find it difficult to retain. This is primarily because Mr Svend Robinson – nine-and-a-half years the local MP – will this time be running as Canada's first overtly homosexual parliamentary candidate. He will also have to contend with the influx of a large number of Tory voters due to another boundary change.

While Mr Robinson is defending a healthy majority and is known as a conscientious and able grass-roots MP, there is some suggestion that his sexual inclinations may be held against him in this down-at-heel, predominantly blue-collar constituency.

"I don't know if his homosexuality will worry people," says Mike, a local barber (and Liberal), pausing to reflect in his salon within yards of Mr Robinson's campaign office. "It should worry them," he concludes, before returning to the task in hand.

Tories splash out on last minute TV campaign

By Andrew Marshall in Toronto

CANADA's ruling Progressive Conservative party is launching a C$2m wave of election advertising before Monday's poll, aiming to refocus the campaign on the credibility of the opposition Liberal Party.

The US-Canadian trade deal has been at the centre of the campaign since Liberal leader John Turner attacked Prime Minister Brian Mulroney on the issue during a TV debate. Mr Turner's success on this tack helped bring the Liberals back into contention in the election and the two parties are now neck and neck.

Mr Mulroney has conducted an aggressive defence of the deal, but is now apparently going on the offensive. The Liberals are likely to keep up their attack on free trade, sensing a winning issue.

The Conservatives are increasingly focusing on more general issues: the relative prosperity that Canada has enjoyed under Mr Mulroney and the competence of Mr Turner. On Tuesday Mr Mulroney attacked Mr Turner's plans to cut Canada's nuclear submarine programme, saying that the Liberals would "cancel the Royal Canadian Navy".

In advertisements due to be shown last night, the Conservatives also questioned the arithmetic of Mr Turner's plans to raise government spending by between C$16bn and C$18bn without increasing the fiscal deficit.

The tone of the campaign so far, the most costly in Canadian history, has not been edifying. On Tuesday, Mr Simon Riesman, who negotiated the free trade agreement, called Mr Turner "a traitor" for attacking the deal. The Liberals, in turn, lambast Mr Mulroney's affection for things American.

WORLD TRADE NEWS

Poland sets out to tempt risk capital from foreign investors

Peter Montagnon reports that Warsaw is revamping its investment laws in an attempt to revitalise the export industry

ONE of the most important products of *glasnost* and *perestroika* as far as Western businessmen are concerned has been the Soviet Union's new-found interest in joint ventures with the West.

But a sharp reminder that the Soviet Union is not alone in trying to use this method of attracting Western capital and technology has come with Poland's current attempt to revamp its own foreign investment laws with new rules expected to come into force at the start of next year.

Of all Comecon countries Poland has a particularly strong motivation for such a policy. Quite simply it has become the only way of attracting an inflow of capital needed to reinvigorate its sickly export industry.

Saddled with debts of $39bn and cut off from Western official and banking credits, it has been forced to turn to would-be suppliers in the West and encourage them to put risk capital on the table as well as goods.

This construction can easily be applied to the few existing ventures. ICL, for example, which has combined with a number of Polish computer and furniture manufacturers in one of the largest joint ventures yet, is taking a commercial risk in marketing furniture to the West in order to finance sales of computers and parts to Poland.

In another venture, announced earlier this month, Ryan International, the UK-based mining machinery concern, has entered into a venture with Kopex and other Polish mining interests to establish a plant for extracting over 1m tonnes of high-grade coal from mining waste for export abroad during the next 10 years.

Ryan is to provide equipment and technology for the product in a deal which, in easier market circumstances, might have been a more straightforward export and licensing arrangement. It will have to wait to be paid for its contribution until the venture is actually generating a flow of foreign exchange.

Western businessmen say that in many countries of Eastern Europe, with the notable exception of East Germany, they are now being encouraged to consider joint ventures as a means of developing fresh business.

With Poland's need for foreign exchange particularly acute, however, the terms it is preparing to offer potential partners are set to become noticeably more generous.

Once the new law becomes effective it will be possible for Western concerns to set up fully-owned subsidiaries in Poland. The top management in joint ventures will no longer need to be Polish, and for the first time it will be possible to establish partnerships with Polish individuals rather than just state enterprises.

The basic rate of profits tax is to be cut to 40 per cent from 50 per cent with a sliding scale of exemption down to 10 per cent if the entire production is exported rather than sold on the local market. It will only be necessary to convert 15 per cent of hard currency export earnings into zlotys at the official rate instead of 25 per cent as now. The existing tax holiday is to be extended to three years from two, with a further three years available to ventures operating in priority sectors.

To the Polish authorities, these appear considerable concessions, but Western trade officials doubt that they will lead to a sharp increase in investment inflows.

One problem, which also applies to joint ventures elsewhere in Eastern Europe, is the clear emphasis on using foreign investment to boost the export sector. This conflicts with the basic aim of most potential Western partners which is to develop their business inside Eastern European markets.

Moreover, the draft law still contains a number of drawbacks to Western eyes. Remittance of local currency profit will remain difficult. In practice it will be necessary to find and buy goods in Poland for resale in the West.

There is also concern about allocation of raw materials. Under the new law, foreign ventures may be given the same status as state enterprises in this respect, but if shortages arise they may also have to use hard currency to buy local inputs.

According to Dr Jan Vanous, a Washington-based expert on East European economies, joint ventures in Poland are not likely to become very significant. "If you still want Western enterprises to come in, you've got to compensate them for the risks, which are very high," he says.

Under the existing law, 48 ventures have been authorised of which 11 were operational at the end of June. Mr Hubert Janiszewski, a senior Polish trade official, estimates that the ventures generate some $10m in export earnings a year but this figure should begin to grow strongly from now on.

By some standards this is a genuine achievement. Hungary, which pioneered the joint venture concept, introduced its scheme in the early 1970s but it was not until the turn of the decade that it began to show results.

Yet Poland is fast running out of potential partners in the form of companies with which it has a long-standing relationship. Even with the new law, attracting genuine newcomers looks like being a difficult business.

High inflation, a dilapidated domestic infrastructure and fear of falling foul of government intervention make the prospect a risky one for Western concerns. Mr Janiszewski says Poland may well be internationally competitive in a few manufacturing sectors like computer software, but he acknowledges that it faces tough competition in the race for Western investment.

Though average wages in Poland are very low, actual labour costs are high when poor productivity and administrative overheads are factored in. "In Taiwan you pay probably less or equal and the Chinese have a reputation of working hard," he says.

According to Dr Andrzej Burzynski, legal director of the Polish Chamber of Commerce, enhanced opportunities for foreign companies to manufacture locally for the domestic market would lead simply to an increase in imports which Poland cannot afford.

Shippers fight EC duty on Hyundai

By Kevin Brown, Transport Correspondent

EUROPEAN SHIPPERS have launched a last ditch attempt to stop a 25 per cent redressive duty being imposed on container traffic carried between Europe and Australia by Hyundai, the South Korean shipping line.

The duty was recommended by the European Commission on October 21 after an inquiry ruled Hyundai was damaging Community lines by unfairly undercutting freight rates.

The inquiry followed a complaint by seven EC shipping lines which are members of the Europe to Australia conference.

Under Community regulations, imposition of the duty would normally be delayed for up to two months to allow the Council of Transport Ministers to consider a draft regulation published by the Commission.

Shippers' organisations, which represent exporters and importers, fear the duty may be imposed more quickly unless there is opposition at a crucial meeting of the Council's Transport working group on Tuesday.

The group has the power to delay the regulation by raising technical objections. If there are no objections, EC rules allow the regulation to go through without discussion at the next Council meeting.

The British Shippers' Council, which has led opposition to the duty claimed the conference lines had increased their market share from 66.6 per cent last year to 66.8 per cent this year, despite the allegedly unfair competition from Hyundai. Hyundai's market share was steady at 3.5 per cent, it said.

● More flexible arrangements for financing the sale of ships on world markets are in prospect following an agreement yesterday between the EC and Japan to allow the use of market-related interest rates, Our World Trade Editor writes.

The agreement, reached in Tokyo this week in the framework of Organisation for Economic Development and Co-operation rules on ship finance, will mean that producers will no longer be obliged to offer finance at an internationally agreed fixed rate, which currently stands at 8 per cent.

However, it still has to be ratified by the EC Council of Ministers as well as other members of the OECD arrangement which also includes Scandinavian producers, though not the US or Canada.

Japan had been seeking the more flexible arrangement because the 8 per cent minimum rate was above its own market rates. Following the agreement it is likely to be replaced by a system of market reference rates similar to those already applied on conventional export credits by OECD members.

This would allow Japan, which commands some 47 per cent of the world market in ships, to finance its sales at a rate of around 5.5 per cent, but those European countries, such as the UK, with higher interest rates will lose competitive edge as a result.

Belgrade suffers from Moscow trade surplus

By Peter Montagnon, World Trade Editor

YUGOSLAVIA is to hold talks with Moscow next month about its $1.7bn trade surplus with the Soviet Union which, officials fear, has become an inflationary burden on the Yugoslav economy.

The surplus has arisen largely because of the decline in the price of oil and other raw materials which has hit the value of Soviet exports to Yugoslavia hard. The Soviet Union charges Yugoslavia a current market price for oil which means the price decline shows up more quickly in its statistics than in trade with Comecon countries for which Moscow uses a five-year rolling average price.

Like Finland which recently converted part of its Soviet surplus into a credit, Yugoslavia uses a clearing system for its trade with the Soviet Union. This has meant its money supply has been swollen as the central bank pays out dinars to local exporters for their Soviet sales but has long ceased collecting a compensating amount from importers.

"Essentially the surplus represents an interest free credit to the Soviet Union. Our country is small and very poor and this is why it is difficult to bear this burden which fuels inflation," says Mr Jovo Panajotovic, Federal Executive Council member responsible for relations with Comecon.

Among possible solutions would be for Yugoslavia to step up its imports from Moscow or to convert all or part of the surplus into an interest bearing credit.

According to Mr Oskar Kovac, Federal Council member responsible for trade, an eventual agreement with Moscow is likely to include elements of both approaches.

"The size of the surplus is such that we'll have to employ both mechanisms," he says.

Depressed domestic demand in the Yugoslav economy has reduced its appetite for imports while the Soviet Union lacks the kind of goods, mainly capital equipment, which Belgrade would most like to buy. Mr Kovac says Yugoslavia would like more oil and raw materials, but it will also, probably, have to accept some finished goods including, possibly, consumer goods.

Danes to arm Soviet Yuppies

By Quentin Peel in Moscow

STX, The first Western-Soviet joint venture to attempt to provide a semblance of Western management techniques to Soviet entrepreneurs, has been set up in Moscow.

The venture, involving the Danish company Time Manager International (TMI), plans to take seminars on the road to Soviet state enterprises, lecturing their top personnel on the virtues of planning, organisation, and providing individual incentives to motivate their staff.

Its launch comes at a time of growing Soviet interest in Western management training and the recent opening of the first business school in Moscow.

The ultimate ambition of the latest venture, called Manager Service, appears to be to create a new generation of dedicated Soviet managers, all armed with their own loose-leaf planning diaries in best Yuppie style.

The venture will have a modest initial capital of Roubles 1m (£939,000) and will insist on payment in hard roubles – thus immediately limiting its potential clients to those exporting enterprises and Ministries with a right to earn hard currency.

It was unveiled in Moscow yesterday by Mr Claus Moller, president of TMI, with his Soviet partners - the Soviet science society Znanye (Knowledge), and a Soviet-US joint venture in computer software called Dialog.

Mr Moller said the key to the Danish system was personal incentive, encouraging managers to set their own goals – in contrast to the traditional Soviet style of rigid central planning.

BA and American close to ending reservation dispute

By Michael Donne, Aerospace Correspondent

THE long-standing difficulties between British Airways and American Airlines over the use of each other's computer reservation systems (CRS) now appears to be over, subject to the approval of the US Department of Transport.

These systems, used extensively in the airlines' own ticket offices and in those of thousands of travel agents, tell clients which are the best flights for their journeys.

They have developed swiftly over recent years as more and more airlines have developed their individual systems, or joined in groups to use collective systems, to try to boost their individual shares of the world travel market.

Competition among CRS is thus fierce, and intensifying. But one result has been conflict between some airlines on how to use others' systems. One such dispute has been between British Airways and American Airlines, two of the biggest airlines in the world.

After a long-running disagreement, American and BA reached an agreement, but it failed to win US Transport Department approval, thus necessitating further negotiations.

The deal now reached, after six more weeks of "intensive" negotiations, will enable American Airlines, with its Sabre reservations system, to gain access to the European market, and also enable it to issue BA tickets world-wide.

At the same time, American has agreed to change the way in which its Sabre system displays BA's flight schedules, so as to improve the opportunities for BA to pick up new business.

American and BA have also agreed to an exchange of marketing, ticketing and other computer data, subject to the granting by the US Transport Department of certain exemptions, which are now being sought by the airlines. Without the US DoT's approval, the new deal will collapse.

Ms Kathy Misunas, the president of the American Sabre Travel Information Network, said in American's view, the agreement "under which each party makes certain concessions, is the only course for avoiding a major confrontation on the issue of airline CRS with many of the US' key trading partners".

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FT 30	FTSE 100	WALL STREET
Nov. 1474/1483 +17	Nov. 1804/1814 +6	Nov. 2052/2060 -22
Dec. 1481/1490 +18	Dec. 1812/1822 +7	Dec. 2055/2067 -21

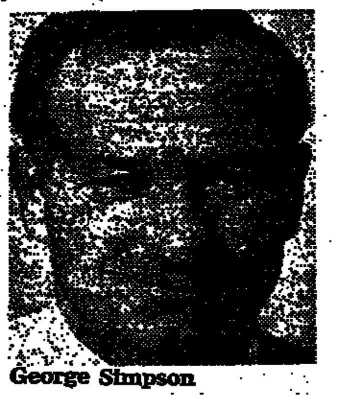
Prices taken at 5pm and change is from previous close at 9pm

BAe names Leyland-Daf man for top Rover job

By Kevin Done, Motor Industry Correspondent

MR GRAHAM DAY, chairman and chief executive of Rover Group is to relinquish the day-to-day running of the company as the first step in a reorganisation of Rover top management after its takeover by British Aerospace in August.

British Aerospace said yesterday that Mr George Simpson, at present chief executive of Leyland DAF, the UK subsidiary of DAF, the Dutch commercial vehicles group, is to be appointed to a new post as managing director of Rover Group with effect from January 1.



George Simpson

Mr Day will remain as chairman of Rover Group and as a member of the BAe board, which he joined in August after the takeover.

BAe said that Mr Day would still be responsible to Sir Raymond Lygo, BAe chief executive, for the overall performance of Rover Group. Mr Simpson would be accountable to Mr Day for the operations of Rover Group.

The appointment of Mr Simpson, a 46-year-old accountant who has spent most of his career in the British motor industry at British Leyland, is designed to strengthen the top management of Rover Group, but it inevitably raises questions about the long-term future of Mr Day at BAe.

Mr Day, a Canadian lawyer, has held a number of high profile posts in UK industry – most notably as chairman and chief executive of British Shipbuilders before being appointed by Mrs Margaret Thatcher, Prime Minister, as chairman and chief executive of BL (later renamed Rover Group) in May 1986.

In the last two years he has master-minded the gradual break-up and privatisation of Rover Group. In the process relieving the Government of one of its most burdensome and costly engagements.

Up to the spring of this year he had disposed of 18 separate Rover Group businesses, a process which climaxed with the BAe takeover of the remainder of Rover Group, chiefly the Austin Rover and Land Rover operations.

In one of the takeover documents Mr Day confirmed "his willingness to continue as chairman of Rover Group for a minimum period of three years." His service contract with Rover was due to expire on April 30 1989.

It has been suggested that Mr Day was a candidate to take over as chief executive of BAe, but BAe has made clear that Mr Lygo, now aged 64, has a contract that does not terminate before spring 1990.

Separately, Mr Day has always dismissed such speculation.

Mr Simpson has been chief executive of Leyland DAF since April 1987, when DAF took over from Rover Group, the previously heavily loss-making Leyland truck operations as well as the profitable Freight Rover van-making subsidiary. He has been a main board director of DAF in which Rover still has a 40 per cent stake.

He joined the then British Leyland Motor Corporation (BLMC) in 1969.

Europe's chemical unions link for 1992

By Charles Leadbeater, Labour Editor

CHEMICAL industry unions in the European Community have formed a joint union, representing between 1.5m and 2m workers to develop common approaches to collective bargaining and employment legislation in the run up to creation of the single European market in 1992.

The executive committee of the European Federation of Chemical Workers and General Workers Unions, will hold its inaugural meeting in Brussels today to draw up guidelines for the union's future.

The union's first congress in April is expected to agree to levy all member unions to establish a permanent secretariat in Brussels.

The move reflects the growing recognition among unions that they need to develop a more concerted approach to legislation and collective bargaining in the light of the 1992 programme.

Unions in most other manufacturing industries have well established European union federations, which are expected to take on a more significant role in the next few years. However, British union leaders said the initiative to form a federation for the chemical industry was a direct response to the single market plan.

Mr Bobby Smith, the GMB general union's national official for the chemical industry, said the aim was to develop a common approach to EC legislation over health and safety, employment rights, worker consultation within enterprises, and regulations governing multinationals.

The European Trade Union Congress had agreed that the Federation should play a formal role on EC industry committees involving the chemical industry, he said.

The Federation's role is expected to expand to encompass joint approaches to collective bargaining within multinational companies.

Significantly, the Federation has managed to overcome the political differences which have traditionally divided liberal, christian-democrat, socialist and communist unions. Unions will be allowed to join regardless of their political affiliation. In the UK the EETPU, electricians union, has joined the federation despite its recent expulsion from the TUC.

Personal pension contracts top £85m

By Eric Short, Pensions Correspondent

MORE THAN 550,000 personal pension contracts have been sold since they were introduced on July 1.

New business results for this year's third quarter show that life companies sold £85m of new annual premiums for personal pensions and £22m of single premiums.

Personal pensions formed the centrepiece of the Government's new pensions framework, enabling employees to make their own arrangements outside company schemes and the state earnings-related pension scheme (Serps) for the first time.

Annual premium sales of traditional with-profits contracts, at £309m, were a fifth higher than the same period last year and 6 per cent up on premium sales in the second quarter.

Despite increased sales of mortgages, overall linked annual premium sales at £131m remained static compared with sales in the second and third quarters last year.

Sales of linked-life bonds at £637m were less than 40 per cent of the £1.66bn sold in the corresponding period last year.

Government plans curbs on nitrate fertilisers

By Bridget Bloom, Agriculture Correspondent

THE GOVERNMENT is to take extensive powers to ban the use of nitrate fertilisers by farmers. But no decision yet appears to have been taken on the precise nature or geographical spread of the planned curbs.

The powers will be announced shortly as part of the legislation to privatise the water industry.

Studies by water authorities have shown that nitrate levels are high in East Anglia and central Britain where most of the country's arable farming takes place. Excessive nitrates are said to give rise to stomach cancers and the "blue baby" syndrome.

The powers would enable the Government compulsorily to establish water protection zones which would be enforced by local bans on the use of fertilisers, some pesticides and industrial solvents in the interests of purer drinking water.

The Government is increasing its powers to control pollution partly because it is committed to do so under new European Community rules.

Former computer chief denies insider deal

Financial Times Reporter

THE FORMER managing director of a computer company was alleged yesterday to have sold 25,000 shares in the company knowing that a planned flotation would lead to a major dip in their price.

Mr John Cross, 54, who had resigned from now defunct Wordplex company based in Slough, Berkshire, denied dealing illegally in the shares contrary to the Insider Dealing Act at Oxford Crown Court.

Mr Stephen Solley, prosecuting, said the company needed new money for survival and expansion.

At the time of secret negotiations the existing share price ranged between 120p and 140p. Mr Cross was given the option of shares in Wordplex for 50 pence and he bought 25,000.

"He was given warnings about selling his shares, but he went ahead and sold them," Mr Solley alleged. He said the sort of figure the share price would fall to once news was out would be around 80p, but Mr Cross sold taking advantage of his inside knowledge. The case continues.

Olympia & York in £600m homes, hotel plan for Docklands

By Andrew Taylor and Paul Cheeseright

OLYMPIA & YORK, the Canadian property group developing the £3bn Canary Wharf office and retail project, has extended its commitment to the Docklands area of London's east end by entering a joint venture to build 1,000 upmarket homes, a hotel and commercial space on the adjacent Heron Quays.

Regalian, the London property group specialising in inner city housing, and O&Y, announced the venture yesterday, saying the completed value of the project would be about £600m.

The two groups are buying the undeveloped part of Heron Quays from Tarmac Brookglade, another joint venture company which has been active at Heron Quays since 1983 and has built 170,000 sq ft of office space there.

No price for the transaction has been announced, but it is believed to be less than £35m. Residential land prices on the Isle of Dogs have climbed to up to £4m an acre. The whole of Heron Quays is 9.2 acres.

Tarmac said that it had been talking with Regalian about a possible sale for some months. It agreed to sell because the future pattern of development did not suit its style. It preferred to work on low rise rather than the high rise buildings proposed and it liked to complete projects in about two years.

Regalian and O&Y intend to have the first homes available in 1992, but the project will not be completed until the late 1990s.

The planning consent available to the new owners from the London Docklands Development Corporation, both the local planning authority and the freeholder of the land, provides for 1.965m sq ft of space.

About 65 per cent of that will be residential and there will also be a hotel with up to 400 bedrooms, up to 500,000 square feet of offices and 100,000 square feet of shopping.

The main thrust of the scheme will be to provide homes for some of the 60,000 people expected to be working at Canary Wharf, which will be connected to Heron Quays by a bridge.

The homes will mostly be in three towers of between 25 and 35 storeys high.

The involvement of O&Y, the world's largest developer of office property, controlled by the Reichmann brothers of Toronto, not only provides financial underpinning of the scheme for Regalian, but also provides fresh evidence of its intention to play a larger role in UK property.

New Sunday paper to seek £16.5m

By Raymond Snoddy

THE SUNDAY Correspondent, the planned new quality Sunday newspaper, will launch a prospectus within the next few days designed to raise £16.5m from the City of London.

The new title, which aims to begin publishing next spring and has already raised £1.5m, believes there is a gap at the top of the Sunday market for a high quality newspaper.

Prudential Venture Managers, part of the Prudential group, will lead the fund raising and intends investing at least £1m in the project and probably considerably more. The Prudential was an initial investor in The Independent, the quality daily newspaper which is now profitable.

"I have no doubt from the interest expressed so far that funding will not present a problem," said Mr Martin Clarke, the Prudential executive in charge of raising the money.

Mr Clarke believes the investment money for the new paper can be raised before Christmas.

The founders of the Sunday Newspaper Publishing Company, which will publish the Sunday Correspondent, include Mr David Blake, a former economics editor of The Times, Mr David Lipsey, former editor of New Society and Mr Gavyn Davies, chief economist at Goldman Sachs International.

The publishers of the paper, which will be edited by Mr Peter Cole, formerly of The Guardian, believe there is strong evidence for the existence of a market gap.

The quality dailies, they argue, now sell 22 per cent more copies than in 1982 while the Sundays sell 3 per cent less.

"There is an obvious explanation: consumer dissatisfaction with the products currently on offer," the existing business plan argues.

Mr Nick Shott, the chief executive of The Sunday Correspondent, and until recently circulation and publicity director of Express Newspapers, with 18 years experience in the industry, does not believe the recent rash of new sections and colour magazines will harm the new paper's prospects.

"If anything, it has been helpful in stimulating some interest in the Sunday quality market," Mr Shott said.

The Sunday Correspondent team is sceptical about the possibility that The Independent will turn itself into a seven days a week newspaper and intends going ahead whatever Mr Andreas Whittam Smith, the Independent's editor, decides.

"We think there is a lot of bluff coming out of The Independent at the moment. It doesn't seem the right time for The Independent to be launching a Sunday newspaper," said Mr Clarke. Independent shareholders wanted to float on the Stock Exchange next year, something that would be delayed by a Sunday launch.

Mr Bruce Fireman, managing director of venture company Fireman Rose, and the man who led the fund raising for The Independent, is sceptical about the existence of the Sunday Correspondent's market gap.

"The only companies which can successfully and inexpensively launch new Sunday titles are those which already control a daily newspaper which gives them a 'franchise' to exploit," said Mr Fireman who is a non-executive director of The Independent.

International Leisure Group to reshape operations ahead of 1992

Goodman forms pan-European airline

By Lynton McLain

MR HARRY GOODMAN'S International Liesure Group has formed a pan-European airline holding company, Airlines of Europe.

The aim is to take advantage of the single European market in 1992 and give ILG an airline base in six European countries with the prospect of extensive cross-border services.

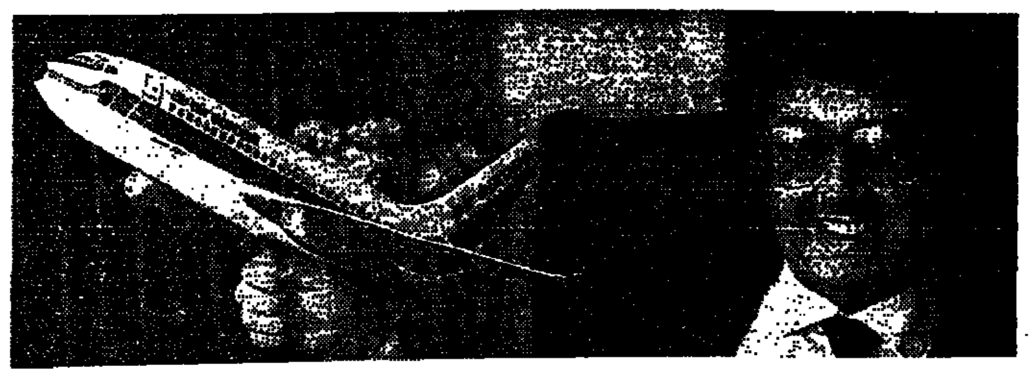
Airlines of Europe would be fully operational by the spring of 1990, two years before airlines in Europe face open competition for the first time.

Mr Goodman, the chairman of ILG, said yesterday that Airlines of Europe would be larger on its scheduled services alone than Swissair, Sabena, the Belgian airline, Olympic Airways of Greece, TAP of Portugal, Austrian Airlines or Aer Lingus in terms of passenger volume and numbers of aircraft operated.

He forecast Airlines of Europe would carry between 7m and 8m passengers by 1993, half on holiday charters and half on scheduled services.

Airlines of Europe would operate more than 70 airliners by the early 1990s. Swissair currently has 47 aircraft.

Mr Goodman said: "We saw an opportunity to expand our mixed charter/scheduled service operations in Europe with the greater freedom airlines will have after 1992".



Harry Goodman: completing arrangements with European partners

Airlines of Europe would be a "series of regional airlines" which would offer charter services to European tour operators but would also attack the scheduled passenger market.

ILG ordered 30 new airliners in April for $1.8bn and is evaluating a possible further order for an additional 12 to 18 long range, wide body aircraft for use to the Far East.

Airlines of Europe is based in the Netherlands and will incorporate six separate European airlines, including Air Europe, the charter and scheduled airline owned by International Liesure.

Air Europe is expected to have made a pre-tax profit of more than £15m in the year to the end of October.

The separate airlines will operate as airlines of the UK, Spain, Norway, Italy, West Germany and France and will be owned by European holiday tour operators, financial institutions and International Liesure.

"The airlines will have a common name, Air Europe followed by the name of the country, a common aircraft fleet of airliners by 1990 and common standards and objectives", Mr Goodman said.

They would all operate at low fares on charter and scheduled services. Air Europe already offers business class fares 17 per cent lower than the larger, competing airlines on services from London to Paris, Brussels and Munich.

ILG has already reached agreement with the first continental airline to be part of Airlines of Europe.

This is the Spanish airline Air Europa, owned 49 per cent by the Bank of Bilbao, 26 per cent by Iberiojet, the largest Spanish tour operator and 25 per cent by Air Europe.

Air Europa made £6m pretax profits from charter flights last year, a year after it was formed.

Mr Goodman said he expected the airline would begin scheduled passenger services by the end of next year.

This follows the pattern of ILG's Air Europe, which started as a charter airline and is developing as a scheduled airline.

International Liesure expected to conclude an agreement with a second airline for the Airlines of Europe group, Norway Airlines, by the end of the year.

Mr Goodman said: "We are finalising the shareholdings in the airline through talks with a Scandinavian bank and with Scandinavian industrial concerns".

Mr Goodman expected to complete agreements with partners in West Germany, Italy and France by the spring.

"These arrangements could involve the formation of new airlines with continental partners or the purchase of existing airlines", he said.

Airlines of Europe BV in the Netherlands is currently owned 100 per cent by International Leisure.

Within six months, Air Europe will own 51 per cent of Airlines of Europe. "We will invite continental holiday tour operators to subscribe for 25 per cent through partnership with the local airline companies. We will seek financial and industrial investors for the remaining 24 per cent", Mr Goodman said.

Repayment of debt on target

By Simon Holberton, Economics Staff

THE Government retired a substantial £2.4bn of the national debt in October and is well on the way to meet the Treasury's forecast of a £10bn repayment for the financial year, official figures released yesterday indicate.

The Treasury said the cumulative public sector debt repayment for the first seven months of the financial year was £6bn. This compares with a borrowing requirement of £900m for the same period of the 1988-89 year.

Excluding the effects of privatisation, there was a repayment of £1bn in the first seven months of the year, compared with a borrowing requirement of £4.2bn last year.

The figures show that revenues remain buoyant and growth in expenditure subdued. Receipts were 11 per cent higher in the first seven months of the year compared with the same period a year ago, while expenditure was 4 per cent above the level prevailing earlier.

Many analysts believe that the PSBR this year will be greater than the Treasury's latest forecast of £10bn, made in this month's Autumn Statement. The consensus is settling around a figure of £13bn.

Indirect tax burden 'has risen fastest for poorest households'

By Ralph Atkins, Economics Staff

THE HIGHER consumption of drink and cigarettes by the lowest income households has meant that the burden of Value Added Tax (VAT) and excise duties increased much faster for the poor than for the rich since 1978, according to a study yesterday.

The poorest 10 per cent of households have seen indirect tax payments rise by almost 40 per cent between 1978 and 1984, says the report by the Institute for Fiscal Studies. The richest 10 per cent have seen a rise of just 25 per cent.

The report suggests that the difference largely reflects changes in the spending patterns of income groups rather than the tax structure.

High unemployment during the 1980s meant that among the poorest families, pensioners have been replaced by households where the "head" of the family is out of work. These types of households are more likely to smoke and drink – and hence pay more indirect tax.

The report says VAT and taxes on petrol are progressive because those on higher incomes pay more as a proportion of their spending. Taxes on alcohol are also progressive but not as much as VAT.

In contrast, tobacco tax paid as a proportion of expenditure is lower among high income households. This reduces the overall progressivity of indirect taxes.

The IFS study estimates the effect of the proposed harmonisation of indirect taxes within European Community countries from 1992. It estimates that the greatest percentage rise in tax paid would fall on low income groups, for which gains from lower duties on alcohol and tobacco would be outweighed by higher VAT payments – notably on food.

The report includes a ready reckoner showing how changes in household characteristics can affect the burden of indirect taxes.

As the head of a household gets older the burden rises, because more is spent on highly taxed goods. Over the age of about 50, however, the trend is reversed.

If the number of males in a household increases, there is a rise in the burden of indirect taxes. Females, who tend to spend less on drink and tobacco, reduce the total. Similarly, children have a negative effect.

The report shows that the burden of indirect taxes is generally higher in Wales, the West Midlands and northern England. It says this is not just because these tend to be regions of higher unemployment, but because there is also a tendency to allocate a higher proportion of spending to goods which are taxed more.

Who Pays Indirect Taxes? IFS, 180 Tottenham Court Road, London, W1P 9LE. £10 for non-members. £8 members.

Third of pubs decide on all-day opening

By Lisa Wood

NEARLY a third of pubs in England and Wales have decided to stay open all day on at least one day a week according to The 1989 Good Pub Guide, published yesterday by the independent Consumers' Association.

The guide affords one of the first snapshots into how new licensing laws introduced on August 22 are affecting opening times and drinking patterns.

Similar legislation was introduced in Scotland in 1976, allowing pubs to stay open from 11am until 11pm.

Mr Alisdair Aird, editor of the pub guide, predicted that at least two thirds of pubs in England and Wales could be open all day within five or 10 years if they followed the Scottish example.

Two thirds of Scottish pubs are now open all day, compared to one third shortly after the law was changed in 1976.

Holiday areas such as Cornwall, Devon, Wales, Cumbria and Derbyshire show the strongest move towards all-day opening, the guide says.

London pubs, said the guide, are twice as likely to stay open all day as pubs elsewhere. The guide said: "As some of these are doing so only on weekdays and closing altogether at the weekend, we have to conclude that a main source of afternoon drinkers in London must be not tourists but people who work locally."

● *The Good Pub Guide 1989 from The Consumers Association and bookshops. Price £9.95.*

Armed services to seek more ethnic recruits

By Lynton McLain

MORE YOUNG people from ethnic minorities must be attracted into the armed services, the Ministry of Defence has said. It said it was concerned about a possible general shortage of young people available to apply in future years.

Ethnic minorities accounted for only 1.6 per cent of applicants for the armed forces, compared with applications from whites which accounted for 97 per cent. The balance was represented by other applicants or those not specified.

Ethnic minorities accounted for some 5.7 per cent of the total population of Great Britain in the age group 15 to 24 years. "The difference can only partly be explained by regional effects", the MoD said.

The MoD said it wanted to find out what more could be done to attract more recruits from ethnic minorities after a survey showed "substantial under-representation of ethnic minorities among applicants to join the services".

The ministry is to discuss the problem with the Commission for Racial Equality and with the Home Secretary's advisory council on race relations.

The survey covered the first year of ethnic monitoring of formal applicants and recruits to the armed forces and was presented to the House of Commons by Mr Roger Freeman, the under secretary for the armed forces.

The success rate of ethnic minority applicants was lower than for white applicants. "Overall, 28.2 per cent of applicants were successful. The success rate for whites was 28.4 per cent, whereas that for the ethnic minorities overall was 19.1 per cent."

UK NEWS — THE NEW SIB RULE BOOK

Real test will be acceptability of approach

David Lascelles looks at David Walker's 93 principles designed to protect investors

IN APPEARANCE, the new conduct of business rules proposed yesterday by Mr David Walker, chairman of the Securities and Investments Board, mark a big change of direction.

In place of the thick file laden with dense prose that was assembled by his predecessor, Sir Kenneth Berrill, Mr Walker is offering the City a large paperback containing plain English words such as "wrong" and "fair". But the real test of the new document will lie in the acceptability of its new approach, and its success in re-establishing the spirit as opposed to the letter of regulation.

In spite of his background in the Treasury and the Bank of England, Mr Walker claims to dislike regulation, and he would like to slim down the rule book even further. But he accepts that there must be rules to keep the markets in order and protect investors. The first rule book, issued in the heat and urgency of the Big Bang two years ago, was widely criticised as burdensome and ultimately self-defeating because it alienated broad segments of the City.

In redrafting the rules, Mr Walker has started from the position that they must regain the City's support. "We want to get some blood back into the veins of practitioner regulation," he says. The UK system of financial regulation is, after all, supposed to be administered by the practitioners themselves. However, that support must not be won at the expense of those whose interests the whole system is designed to protect: the investors.

The approach Mr Walker has chosen is to lay out a set of principles to govern the investment industry's conduct. Each is then elaborated in a few sentences of small print. His hope is that this broad sweep will give the regulators greater flexibility, while making it harder for unscrupulous practitioners to wriggle through legal loopholes. Breaking the spirit of the rules will be an offence in itself.

Typical of the key provisions is that on best execution. The principle states: "A firm must obtain the best available bargain for his customer and to do that must take all reasonable steps, and evaluate the options fairly, viewed from the point of view of the customer." The principle has four notes detailing what is meant by best available terms, and listing some exceptions. Mr Walker hopes that this form of presentation, rather than reams of legalese, will make the rules more "user-friendly."

The principles do occasionally read like a set of proclamations. Some are quite pithy: "Disclosure should be clear and comprehensible." Others show Mr Walker's taste for unusual words: "Independence where claimed must be real and unalloyed . . . " Although chunks of the earlier rule book are incorporated in many of the notes to the principles, the accent is on clarity, and all rules are rooted in one principle or another.

Mr Walker asserts that the new rule book does not alter or weaken investors' rights, or even, as had been widely expected, make exceptions for professionals on the ground that they should know what they are doing. The basic SIB principles, such as best execution, best advice and polarisation (the separation of the

David Walker: Claims to dislike regulation

function of agent and principal in marketing investments) remain unchanged. The earlier structure is altered in only one respect: it abolishes the unnecessary distinction between professional and business investors.

The more radical change is the one also announced yesterday by Lord Young, the Trade Secretary, to revise the Financial Services Act. He proposes to amend one of its most unpopular provisions, section 62, which gives people the right to sue practitioners who breach the rule book. That right will be removed from professionals and practitioners, implying a considerable easing of regulatory constraint in the professional market.

The SIB itself had already eased section 62 somewhat by establishing that practitioners who are sued can defend themselves by claiming they used their "best endeavours." Last week the SIB also proposed a standard customer agreement to simplify the arrangements between a practitioner and his clients, which is part of a process of refinement that is being pursued by the Board alongside the rule changes.

The new rule book received an encouraging welcome in the City yesterday where it was viewed as a step in the right direction. But there were still some reservations.

One is that in spite of Mr Walker's use of the pruning knife, the rules are still too long. The new principles number no fewer than 93, some of them on technical matters such as the maintenance of records and the contents of advertisements and contracts. Mr Walker says he is open to suggestions as to how the number can be reduced.

Another is that the SIB's changes will have to trickle through to the Self-Regulatory Organisations which actually regulate the vast majority of investment practitioners. The SROs will have to adapt their own rule books, and some are likely to do this with greater eagerness than others.

Mr Walker believes that this should not be a problem because the SROs will want to lighten the regulatory burden for their members. Instead of "equivalence" with the SIB's rule book, they will in future only have to show "conformity", which is supposed to give them greater leeway to chose the wording themselves.

Because of the consultations that have already taken place between Mr Walker and the SROs, they are already prepared to consider changes. The Securities Association, the largest of the SROs incorporating the Stock Exchange, was one of the first to welcome the new rule book yesterday. It confirmed in a statement that it intended to make its own rule book clearer and simpler.

Whether the City's compliance officers — the officials in investment firms who are responsible for ensuring that they obey the rules — offer support for the changes is another matter. The new regime may be more flexible, but it will also leave more to their own judgment, a responsibility which some of them may not welcome given the fierce squalls that City scandals can create. Legally, too, it will be interesting to see how successfully an investor can sue a practitioner for breaching the spirit of the rules.

The rules were put together with an eye on more than the UK market. With moves now afoot in Brussels to create a common investment services regime for the whole of the EC, the SIB hopes that its new rule book will provide guidance if not an actual model for Community-wide conduct.

This is a sensitive issue. With London playing a leading role in the EC financial services industry, there has been concern in the UK that Brussels might try and impose rules which would handicap it in world markets. By taking this *initiative, the SIB hopes to* influence the form of regulation to suit London better.

In spite of the accomplished appearance of yesterday's publication, it is only part of a lengthy, continuing process. The SIB will be producing new rules in a number of other areas: cold calling, disclosure of commissions, the handling of client money. The Conduct rules will themselves be modified and updated: as yet they are only proposals which are due to be introduced, after consultation, next July.

Practitioners expected to abide by the spirit as well as letter

THE SIB'S proposed Conduct *of Business Rules open with a* statement of objectives. They are to require standards of integrity and fair dealing, and to ensure that investment practitioners act with skill, care and diligence, and comply with best market practice. The rules are also intended to provide principles and rules of conduct, providing general objectives and more precise formulations.

The introduction also makes clear that practitioners are expected to abide by the spirit as well as the letter of the rules, and that a breach of the spirit is itself a breach of the rules.

There follow 93 principles, of which this is a selection:

Independence
4 Independence where claimed must be real and unalloyed, whether in advising or acting for the customer.

Inducements
5 It is wrong to offer or to receive gifts or other direct or indirect benefits if doing so could adversely influence the giving of advice or the exercise of discretion: it is also wrong to seek to obtain investment business from someone by offering to place investment or other business with him in return, although this can be outweighed by a countervailing benefit to the customers concerned.

Overcharging and churning
6 It is wrong to overcharge or to effect transactions because of the income they generate rather than their merits.

Front running
7 It is unfair to put the firm or another customer of the firm into a transaction ahead of a customer who ought to have priority.

Research recommendations
13 It is unfair to favour some customers more than others with the benefit of research or analysis; and it is also unfair for the firm to deal ahead of its own or an associate's research or analysis.

Insider dealing
14 It is wrong for a firm to profit from prohibited inside information in the hands of its officer or employee; and it is wrong for a firm to assist a person with such information to make a profit for himself.

Prompt and timely execution
15 A firm must act promptly in accordance with instructions unless it has a discretion as to timing when it must exercise judgment as to the best moment.

Best execution
16 A firm must obtain the best available bargain for his customer and to do that must take all reasonable steps, and evaluate the options fairly, viewed from the point of view of the customer.

Suitability
17 A firm must find out enough about the private investor's personal and financial circumstances to enable it to act properly for him in investment matters; and in making recommendations, in exercising discretion and in advising about the customer's instructions, it must ensure as far as it can that purchases and sales are not unsuitable for any customer and that they are positively suitable for him as a private investor.

Disclosure in general
18 *Disclosure should be clear and comprehensible.*

Disclosure of regulator
19 A customer must be able to tell from a firm's correspondence and other documents the identity of its regulator; and the firm must have available documents about, and must not mislead anyone about, its business activities.

Dealing for oneself
21 Dealing with a customer as principal, or acting for the customer and for the other side as well, can frequently diminish the rights which the customer might otherwise have or create a conflict of interest, and so it is appropriate that these activities should be delimited or that full disclosure should be made, or both.

Disclosure of material interest
22 A firm should not deal or recommend dealing when it has a material interest of its own in the business or where it has a conflict of interest, unless there has been adequate prior consent.

Contents of agreements
29 All customer agreements must have some required content, on matters such as the nature of the services to be provided, the arrangements for fees and the appropriate regulator. Where the agreement is with a private investor, more is required on, for instance, investment objectives, methods of communications arrangements for client money and termination.

Managed portfolios
31 An additional degree of trust is required where the firm is to exercise discretion for the customer, without always informing him or obtaining specific authority in advance of a deal, and therefore an agreement for this purpose needs to be that much more specific, in relation both to the investments to be included and to the operating arrangements.

Business plan
34 A firm which is regulated by the board must operate in accordance with its business plan as notified to the board from time to time.

Responsible behaviour
40 Firms should have procedures for requiring those seeking to obtain business for them to be civil and considerate, not to use any undue pressure, deception or artificiality, and to make plain their purpose and identity to customers and potential customers.

Supervision
41 Staff and representatives must be supervised and must not be allowed or required to get out of their depth in terms of their experience and competence.

Compliance
42 A firm shall establish and maintain compliance procedures so as to enable its officers, employees and appointed representatives to be aware of their obligations under the act and to comply with them.

Internal complaints procedure
43 Complaints must be properly handled and where remedial action is needed, it must be taken promptly.

Recommendations
44 A recommendation to a private investor to effect a transaction that will not or may not be to his advantage is wrong if *the recommendation is motivated* by the benefits that it will or may bring to the firm.

Understanding of risk
45 A firm should deal for a private investor, or take on his portfolio as a discretionary manager, only if it is sure that the investor understands the risks involved.

Stabilisation
46 Securities that may be affected by stabilisation, whether in the United Kingdom or elsewhere, should not be offered to a private investor, or included in his discretionary portfolio, unless he knew about in general terms the basic purpose, methods and possible consequences of stabilisation before he agreed to the customer agreement (or at any rate before the offer or inclusion in question) and unless he was also specifically warned before the offer was made.

Clarity in agreements
47 Customer agreements for private investors must be easy to understand, and must not remove rights by stealth.

Periodic statements
51 The customer needs to know periodically (say every six months) the salient features of the course of dealing with his investments since the last statement (including income and deductions) and their up-to-date valuation.

Buy-back duty
54 A market maker who has sold to a private investor an unmarketable investment must for a reasonably long time thereafter be willing to buy it back at his current bid price.

Segregation
59 The Client Money Regulations require segregation of clients' money from the firm's money for all private investors and (unless they have agreed otherwise) for other investors. Further, those regulations require a firm to establish for segregated customers separate bank accounts for relevant margined transactions and other margined transactions. For relevant margined transactions, the firm must balance, daily, the client money in its books, together with equity balances and collateral, against the sum of all the individual customers' initial margin requirements (or anyone's balances, and collateral, if greater). If the latter exceeds the former, the firm must find the difference from its own resources.

Disclosure of interests
70 Where a firm may benefit from transactions which it recommends, either because it has dealt already or may deal as principal, or because it has some outlying material interest, it must include in the publication proper disclosure of the possible source of benefit.

Advertising
76 An advertisement must be clear, and not misleading, and it must be clear that it is an advertisement.

Methods of custody
87 If the customer does not take delivery of or responsibility for them himself a firm must either itself keep safe a customer's valuable documents, or else arrange and take responsibility for their safe keeping by a so-called "eligible custodian".

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1987							
3rd qtr.	107.1	108.3	28.4	131.5	171.2	2,827	241.3
4th qtr.	108.5	109.8	28.7	133.8	210.8	2,658	262.1
1988							
1st qtr.	108.1	110.7	31.7	135.3	173.2	2,534	247.6
2nd qtr.	109.7	112.3	32.9	137.3	181.2	2,414	254.8
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
1987							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1987							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October							12.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* commdty.	Sterling*
1987							
3rd qtr.	117.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.7
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

BUSINESS LAW

Antidumping and the Euro Court

By A.H. Hermann, Legal Correspondent

The notion of dumping is one which does not travel well – particularly between different economic systems or between countries with different standards of living. Dumping is akin to predatory pricing between individual enterprises of the same country. Both consist of selling at a loss to capture markets.

The imposition of antidumping duty depends, as a rule, on two findings: first, that the goods were exported at a price lower than the "normal" price and, second, that this caused "injury" to the industry of the importing country. The injury, though a highly elastic term, is relatively easy to argue, as it has to do with conditions in the importing country.

But what about the "normal" price in an exporting country which has no market, or only a black market, and where prices are determined by the government and enterprises may survive decades of losses? In such countries certain industries can be planned to operate at a loss, and neither profits nor losses are due to efficiency of production but can be the result of the differential between the officially determined prices of raw materials and wages, and of the products.

This happened in the European Court in Luxembourg when the Soviet foreign trade corporation, Technointorg, appealed against antidumping duty on its chest freezers, first provisionally by the EC Commission's regulation 2800/86 and then definitively by Council regulation 29/87.

The Court delivered its judgment last month and focused attention on several problems of trade with command economies. The first complaint of Technointorg was that the Commission ignored its representative who had the power of attorney, and addressed its enquiries direct to Moscow. The Court's rejection of this complaint based on the finding that the Moscow headquarters of Technointorg acknowledged the receipt of the Commission's enquiries and asked for additional time to reply to them – which it ultimately missed – is no doubt correct in law. In practice, however, it makes a tremendous difference for a Soviet organisation whether you deal with its headquarters by mail or with their local representative. Very often an answer which can be provided quickly on the spot is very slow coming from Moscow. It may have something to do with the hierarchial nature of Soviet business organisations and the impossibility of the operators to obtain the necessary signatures in good time. So the complaint, though making little sense in law, was probably justified in practice.

Did the Commission not know about such delays, or did it perhaps secretly wish that Technointorg would miss the deadline and so simplify the procedure? However so, Technointorg put itself in the wrong by failing to protest and to insist that the matter be discussed with its plenipotentiary.

A more difficult problem for the Court was the complaint against the method used by the Commission in calculating the "normal" domestic price of the Soviet freezers.

Regulation 2176/84 provides that in the case of imports from command economies the normal value of the investigated exports should be determined in an "appropriate and reasonable way". The Commission should first try to substitute for the non-existent normal price the price of a similar product in a country with a market economy.

If such comparative price is not available, the Commission should substitute a "constructive price" which it calculates a similar product would have in a market economy. And, finally, if neither of these methods leads to a satisfactory result, the Commission should take for "normal" the price paid for such products in the Community, making reasonable adjustments for any difference in profit margins between the exporting country and the Community country chosen for comparison.

In the case of Soviet chest freezers, the Commission chose the first method, and based its calculation of the antidumping duty on Yugoslavia.

In its appeal Technointorg complained that this was unreasonable. First, after conversion into Belgian francs the wages and salaries paid by the freezer makers in Yugoslavia were more than twice as high than in the Soviet Union. Second, while the Soviet manufacturing enterprises relied on their own designs and used their own parts, the Yugoslav enterprises had higher production costs because they manufactured certain parts in licence for which they had to pay royalties to Western companies and imported other parts from abroad at considerably higher cost than if they produced them themselves.

The Court rejected this complaint. It explained that the regulation 2176/84 provides for adjustments of the substituted price only in respect of the physical characteristics of the product or in respect of quantities involved, of conditions of sale, and any import duties. It did not provide, said the Court, for adjustment in respect of different levels of salaries and production costs.

The refusal to take into account the higher costs of parts made in licence or imported from the West seems wrong in principle. Antidumping duties were not designed to punish the exporting enterprise for greater efficiency. The ability to do without foreign licences and to manufacture all necessary components without recourse to imports may, under circumstances, contribute to the efficiency of production and lower the production costs in comparison with an enterprise dependent on licencing and imports of parts. The lower price resulting from such greater efficiency is not a dumping price because the producer does not suffer any loss and may even operate at profit in spite of charging less than its less efficient competitor.

A greater problem exists when the export price is low not because of more efficient production, but because of substantially lower salaries and wages, as claimed by Technointorg. At first sight the Court's refusal to eliminate the differential in wages from the adjustment of the substituted price seems harsh and unfair. But one can see that the export subsidy can take many forms ranging from internal subsidy of the dumped product from profits made on other products, to indirect subsidy of wages through governmental subsidy of food prices or denial of political and trade union rights.

Such possibility of indirect subsidy through low wages exists not only in command economies but also in many third world countries with a mixed or market economy. Antidumping duties imposed to compensate for the low price resulting from such low wages is therefore necessary to protect the enterprises and the workforce in the importing country, and the policy behind the Court's interpretation of the regulation – that wage differentials cannot be taken into account – is probably sound.

The complaint of Technointorg that the Commission exaggerated the injury which could have resulted to Community producers by the import of cheap Soviet freezers was rejected by the Court without any convincing reasoning.

According to Technointorg, only 20,000 Soviet chest freezers were imported into the Community in 1985, and this represented only a minute fraction of Community demand. Moreover, these imports could compete only with the cheapest and least sophisticated freezers on the Community market, and could not be compared with the bulk of sophisticated Community products. The cheaper Community products, argued Technointorg, were mainly imported from other European communist countries so that competition of Soviet products could cause injury only to imports from those countries and not to Community producers.

The Court accepted the Council's reply that the Soviet freezers were comparable with the cheaper models of Zanussi, LEC, Phillips, and that they competed also with freezers produced by Bosch and AEG. The judgment does not indicate in any way that these assertions of fact were in any way tested in court or supported by evidence. In the absence of such evidence, Technointorg's claim that its products competed only with other east European products seems plausible.

The judgment is more convincing where it rejects the complaint that an offer of undertakings to increase the price was rejected by the Commission while similar undertakings of Yugoslavia and East Germany were accepted. Technointorg appears to have offered only insufficient price increases to be introduced gradually and conditionally, while the other two countries offered sufficient price increases immediately and unconditionally.

This case, as well as some earlier Japanese appeals, makes one suspect that the borderline between Community antidumping and its protectionism is somewhat blurred. Its clarification is important not only for the relations with the exporting countries, but also for keeping the Community on its toes.

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TECHNOLOGY

In the first of a series on computer security, **Paul Abrahams** reports on the growing risks faced by companies and assesses one set of solutions

The downside of the IT revolution

Computer-aided bankruptcy is not a well known phrase. But it could become more common as companies' increasing dependence on computers lays them open to expensive losses through fraud or sabotage.

"Senior managers don't realise how vulnerable their organisations have become," says David Barry, at Wang, the US computer company. "Many are now totally dependent upon information technology and could not survive more than a few days without it."

A computer security failure can be disastrous. One French investment bank was recently forced to cease trading after a computer-related currency fraud involving FFr3.3bn (£300m).

But despite the vulnerability of computer systems, senior managers appear either unaware of the risks or unwilling to address the problem.

A survey by Coopers and Lybrand, among members of the Institute of Internal Auditors, highlights ignorance of the risks as the most important factor in retarding computer security. Most respondents stressed that both the awareness and education of senior management should be increased.

A study by Peat Marwick McLintock, the UK management consultants, says that a quarter of companies questioned had never carried out a computer security review; and 66 per cent had no security policy agreed at board level.

"Chief executives haven't grasped the fact that their newly installed networks have created security problems," says David Cassell, a product manager at Madge Networks, of the UK, a local area network supplier.

"Networks are by definition a security risk," he says. "Although the rapid expansion in the use of computers has brought many benefits, not least the increased availability of information, there has been a price to pay – a greater likelihood of illegal penetration, malicious destruction and the exposure of sensitive data."

Managers trying to assess the level of risk face a number of problems. Among them is the lack of hard information – as opposed to anecdote – about the level of computer crime. Companies are even unwilling to admit that they have installed a system because it suggests that they have suffered a loss.

"Admitting you've lost millions of dollars is hardly good public relations," says Barry. "A chief executive doesn't want the embarrassment of explaining such a loss to the company's stockholders and certainly doesn't want to encourage others to have a go at cracking its system."

One reason why managers have been reluctant to invest in computer security equipment is the feeling that vendors and consultants have been exaggerating the ubiquity and importance of computer-assisted fraud. Some executives argue that expenditure on systems to reduce risk may not be justified because it is more cost-effective to accept the risk.

A report by Frost & Sullivan, the New York-based analysts, while agreeing that consultancies have a vested interest in making the risks appear great, nevertheless concludes that computer-related risks to companies are growing.

The protection of computer information has to be addressed at several levels. These include controlling physical access to terminals, choosing an appropriate computer management system and introducing encryption to secure communications.

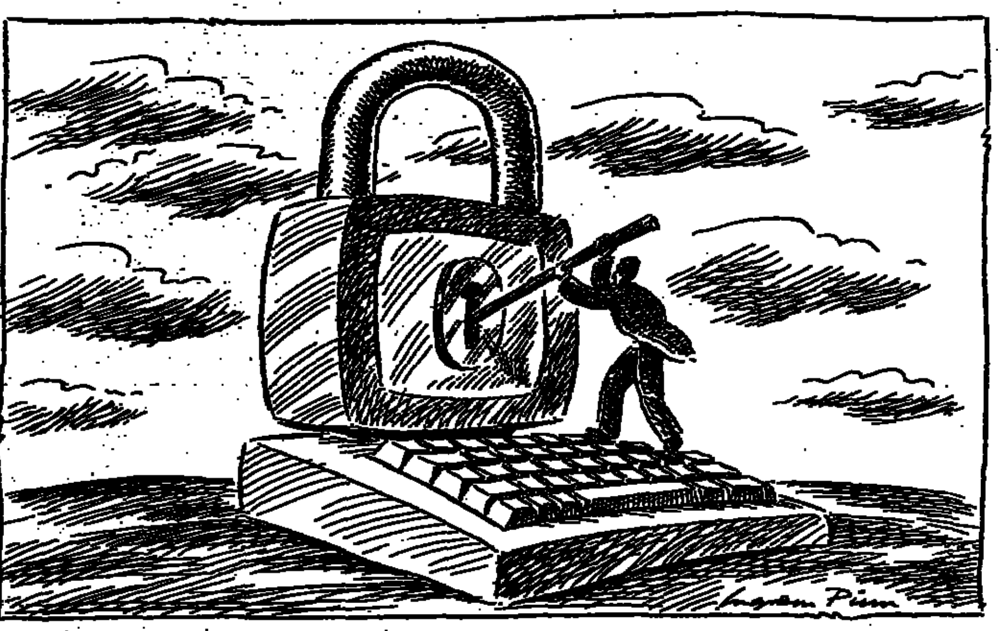
Control of access is the most obvious method. First, outsiders can be prevented from entering an area containing terminals. Second, the use of equipment by employees can be controlled by limiting access to machines and storage media that carry sensitive information.

Ken Wong, director of the security and privacy division of BIS Applied Systems, the UK information technology consultants, says that most computer crimes are committed by employees and that effective access control systems can help to prevent such fraud.

Wong gives the example of a merchant banker who, on the eve of leaving his company for a competitor, took sensitive information from a number of secure locations. A security officer noticed his unusual activity by monitoring the access control system and documents were later retrieved from the employee's home.

The most basic form of access control is locks and keys. But these can be passed on or stolen and are less than practical for doors with a large volume of traffic.

The most popular form of security for sensitive areas is the magnetic-stripe card, which has a metal strip on the back containing information. Remsdaq, a subsidiary of the UK electronics company, De la Rue, estimates that 80 per cent of electronic access control systems use these identity cards. The cards can be linked to a central computer which is programmed to limit access to individuals carrying them.



A recent development in magnetic-stripe systems is the "proximity reader", which can identify the cards within a few yards, even through a wallet. This reduces the wear on the card because it does not have to be passed through a slot.

However, like keys, the effectiveness of the magnetic-stripe card depends on the holder's integrity and on his or her care in keeping the card safe.

Frost & Sullivan, the New York consultancy, believes that new intelligent access control systems, based on biometrics, will replace keys and eventually magnetic-stripe cards as surely as the calculator replaced the slide rule. Biometric systems use the unique characteristics of individuals to indentify them. When access is required, these characteristics are checked against records about the individual.

The range of technologies concerned include the recognition of voices, palmprints, fingerprints and even the pattern of blood vessels at the back of the retina. These characteristics are converted digitally into an algorithm (notation of numbers) and stored in a computer. When an individual attempts to enter a controlled area, the computer analyses the voice, eye, hand or finger and compares it with its records.

Algorithms can also be stored in smart cards which contain memory and processing chips. When the individual approaches the control box, it compares the algorithm in the card with, say, the fingerprint and if they match can instantly decide to let him through. This is quicker than a conventional system which has to refer back to a remote computer.

Other biometric characteristics include typing patterns and signatures. Programmes are able to recognise any of 1,000 distinct rhythmic patterns in two seconds of keystrokes.

Signature verification systems can recognise five variables. Using a electro-magnetic digitiser, they can check, for example, the acceleration of the pen and the pressure with which it is applied.

At present, however, the market for biometric systems remains in its infancy in both the US and Europe. David Marzo, an analyst at Burns Fry Hoare Govett in New York, says that last year only 1,000 biometric verification devices were sold in the US, mostly to the military or government.

Some of the systems still have reliability problems, with *unacceptable rates of false* rejection and false acceptance. They are also expensive, typically costing between $2,500 and $3,500.

"Whichever access control system is installed, it has to be user proof and user friendly," says Ken Luck, assistant director of Corporate Security Services, the Essex-based consultancy set up by the International Chamber of Commerce.

"If the system is difficult to use, people will get round it. You only have to look at the number of doors with sophisticated access control systems which are propped open by fire extinguishers to see the problem."

In the end, managers considering access control must look at cost. They must first assess the value of the threatened information and then decide how much they are willing to pay to reduce the risk to it.

The next article in the series will appear next Thursday

Battery progress for electric car

AN ELECTRIC car with a range of 120 miles (200 km) in town traffic, which can be driven at 75 mph (120 km/hr), is planned to go into production in the early 1990s. It will use a power unit being road tested by Asea Brown Boveri (ABB), the electrical group based in Switzerland.

ABB appears to be well on the way to solving the problems of the sodium sulphur (Na-S) battery which have beset engineers for 20 years. Such batteries have an energy to weight ratio some four times better than the lead acid batteries that power milk floats.

However, since they contain two hot chemicals which would be dangerous if released in an accident, safety and reliability have been high on the development agenda.

In the current edition of ABB Review, the company reports tests in which the Na-S battery enclosure was dented by 100 mm (4 in) in a compression device with an 80 mm ram. Neither of the reactants escaped.

The planned life expectancy of the battery is 10 years and 1,000 full charge-discharge cycles (about 125,000 miles). *There is a charger allowing* the battery to be recharged from any mains power socket.

Using modern power control electronics, the car *will offer an environmentally* attractive alternative to conventional cars, particularly in towns, since it produces no exhaust products.

But its success will, of course, depend on the price when mass production starts.

A system for translation

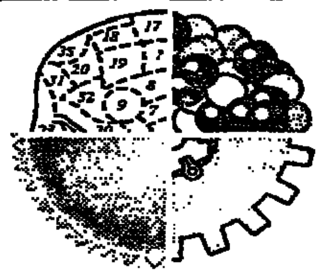
COMMUNICATION Control, a UK subsidiary of Siemens, the West German electrical group, has launched a computer-based translation system.

It is designed to cope with the increasing amount of quotation and tender documentation, operating manuals, handbooks and so *on that have to be translated* from German to English and vice versa.

Called Metal, the system translates at one word per second and can cope with 200 pages a day.

Making use of artificial intelligence, Metal is able to deal with syntax and semantics and is less likely to produce nonsense than a "raw" electronic translator.

The text it produces still needs editing by a skilled human being, but he or she is relieved of the routine work and can allow more time to perfect the machine's output.



WORTH WATCHING

Edited by Geoffrey Charlish

Cash counter goes on screen

WAITING at the cashier's counter to check out of a hotel is irritating enough, particularly when things have been left a bit late to catch the flight home. Further frustration can follow if the bill has to be queried, so holding up others who are just as anxious to leave.

These chores can be carried out before the guest leaves the hotel room using *a system developed by* Rediffusion, of Surbiton in the UK. Called Dataview, it has been installed at the Britannia Intercontinental in London.

Using the television set in the room and a push-button control box, the guest can see, check and authorise payment *of the bill, having* left a credit card imprint or a company account number with the hotel on arrival. He or she can then simply deposit the key and leave. While staying at the hotel, the customer can periodically check the running total of the account.

Dataview also allows guests to order breakfast, having perused the menu on the television screen. For the *hotel, the high cost of* printing, deciphering and dealing with door-knob breakfast cards is eliminated.

In addition, any messages left for an individual downstairs can be shown on the screen.

Messages, accounts and anything similar will only be displayed in the room in question, ensuring privacy.

Changing role of the engineer

MANUFACTURING will experience "profound structural changes" by the year 2000 and production engineers will have to change accordingly. So says a report from the Society of Manufacturing Engineers (SME)in the US.

The report is based on a 15-month research study commissioned by the society from A. T. Kearney, the Chicago management consultancy. It involved 7,500 participants in the US, Canada, Europe and Japan.

Increasingly, manufacturing will become a matter of component assembly, a trend already pronounced in the car industry.

The report says that this is because the components in future products will become even more technically complex and call for skills that the final product maker will often not possess. As a consequence, many more specialist component makers will appear, spawning new jobs.

In the assembly plants, more manufacturing engineers will function as "operations integrators". They will be more responsible for co-ordinating people, information and technology, than for the technicalities which they often look after at present.

Those with management *and business skills are likely* to be in demand.

Hot stuff for components

MICATHERM HT, a combination of lead-glass and mica which can be moulded into components that withstand continuous temperatures of 450 deg C, has been developed by Morgan Matroc of Sandy, Bedfordshire, in the UK.

The material will not burn or give off toxic fumes and retains high electrical *resistance when hot.* It does not weaken with time.

As the mixture needs special high temperature moulding equipment, Morgan Matroc is offering a component moulding production service.

Micatherm HT is said to be cheaper than the best alternative thermoplastics.

CONTACTS: ABB: Switzerland, 1 317 7111. Communication Control: London, 660 1118. Rediffusion: London, 397 5133. SME: US, (313) 271 1500. Morgan Matroc: UK, 0767 82868.

MANAGEMENT: Marketing and Advertising

Some of Britain's most coveted advertising awards, in recognition of campaigns that have made a proven impact on consumer markets, were handed out this week.

The IPA Advertising Effectiveness Awards, held every other year, this time attracted 72 entries – full case histories of advertising campaigns for everything from cars to coffee, from beer to building societies.

The judging panel, headed by Alistair Grant, chairman and chief executive of Argyll Group, awarded the Grand Prix to Ogilvy & Mather for its "Long March" campaign for the Spillers' dog food brand, Winalot Prime. The first 60-second dog food commercial to run in the UK, it has helped to increase the sales of Winalot from a volume market share of 5.9 per cent in December 1986, to a current 9.1 per cent.

BMP Davidson Pearce scooped three first prizes in the awards with campaigns for Schweppes Kia-Ora orange squash; Clarks' Desert Boots; and Courage's Miller Lite lager.

Effectiveness awards

Barking about an increased bite

Philip Rawstorne tells the tale of a winning dog-food

Winalot Prime. Spillers decided in 1986 to launch a renewed challenge to Pedigree Chum's 20-year domination of the £270m canned dog food market and its advertising. Ogilvy & Mather's team of Alan Rodford and Andrew Powell was given the task of devising an advertising campaign for Winalot Prime that would loosen Pedigree's grip and persuade notably conservative consumers to switch brands.

Rodford and Powell decided to counter Pedigree's advertising – "top breeders recommend it" – by pitching their appeal to ordinary dog owners.

After some dog-watching days in the Belsize Park area of London, they put together a commercial showing hundreds of dogs, of all shapes and sizes, streaming across a mountainside in search of Winalot – which Spillers, after a production breakthrough, was able to claim "had 50 per cent more meat" than its competitor's brand.

The advertising campaign, costing some £5.4m in 1987 and another £2.9m in the first three quarters of this year, according to the Meal monitoring service, succeeded in making a distinctive impact on the market. Spillers received hundreds of letters about the commercial, which was voted second best in 1987 in a viewers' poll, and collected two creative awards. Winalot's volume share, which had been stuck for some time between 5-6 per cent rose to 8.2 per cent within 15 months of the campaign being launched. It is now more than 9 per cent.

Miller Lite. In 1985, Courage decided that it needed another strong brand as well as its Hofmeister in the rapidly growing UK lager market. It chose Miller Lite, a US lager, brewed by a process in which a higher percentage of sugar than usual was converted to alcohol. The brand seemed to meet consumer demands for a smoother, less gassy, drink.

When it came to devising an advertising campaign for its launch, however, BMP Davidson Pearce encountered a number of problems. There had been "lite" lagers before – Hemeling Lite and Arctic Lite, for example – but they had failed to make an impact on the market. Consumers had been left with the impression that "lite" meant weak.

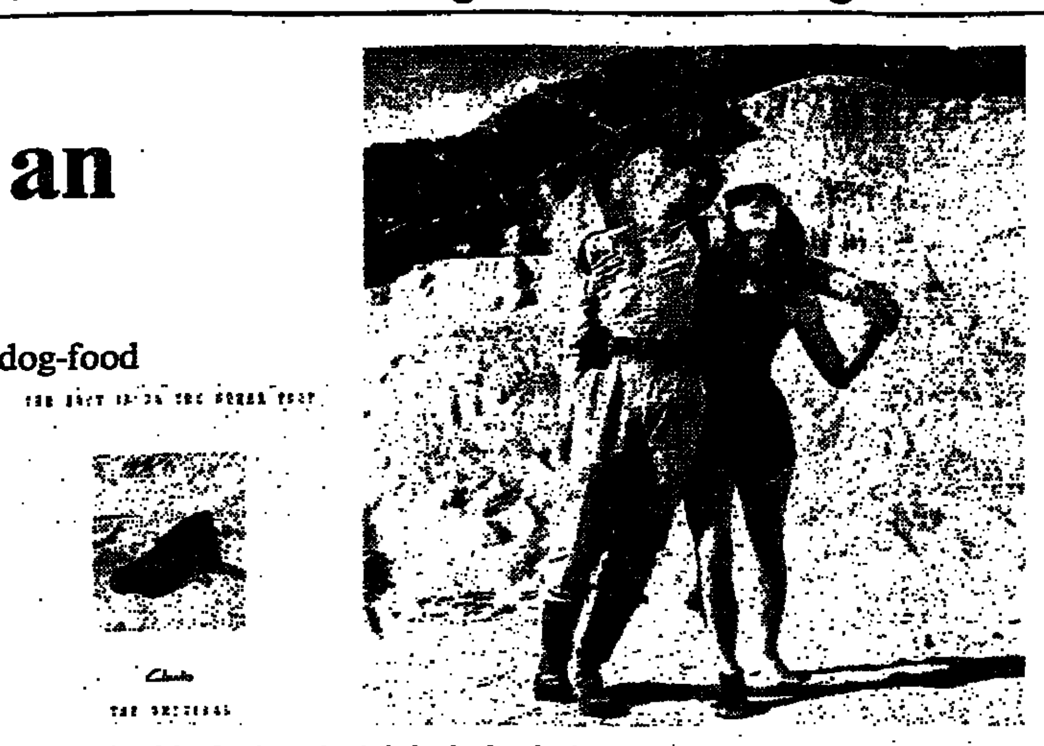
BMP developed TV advertising designed to turn these potential disadvantages into positive values. The commercials stressed that "more of the sugar turns to alcohol" in brewing the lager, implying strength, and sought to suggest that Miller Lite was a smoother drink for the discerning palate.

Within the first year of launch in March 1986, Miller Lite had won 5-6 per cent of the standard, canned lager trade in off-licences, where up to 16 different lagers were usually on offer. After one burst of advertising, consumer awareness was as high or higher than for any other brand.

Measurement of draught sales was complicated by the Elders takeover of Courage and the introduction of Fosters lager. But in the five months before the takeover, Miller Lite had achieved a third of Hofmeister draught sales volume.

A regional test comparing sales in the Anglia TV area, where the brand was never advertised, with those in the Granada area, proved that the advertising had been instrumental in encouraging retailers to stock the brand, and consumers to buy it. A third of all sales in the first year were attributed to the advertising, it was estimated.

Further advertising has increased brand share – and the product qualities have been so firmly established that the latest advertisement, reviving the old Hollies hit song, "The road is long," no longer includes any description of the lager itself.



BMP's advertising for desert boots helped sales rise by 400 per cent

Clarks Desert Boots. The Desert Boot was designed for tropical use by the British army in the early 1940s. Almost 50 years later, advertising from BMP was instrumental in making it the first shoe with which Clarks has penetrated the young men's fashion market.

BMP's research – much of it conducted among its own style-conscious staff – showed that Desert Boots, already popular in France and Italy, could be turned into a fashion item in Britain.

Given a budget of around £60-£70,000, BMP spent about half of it on the production of advertisements featuring photographs by a leading fashion photographer, Helmut Newton, and the rest on placing them in selected youth fashion magazines.

The advertisements attracted wide media interest, and with no significant price or distribution changes, sales in 1987 rose by 400 per cent. Every pound spent on advertising space generated nearly £5 of additional gross profit.

Kia-Ora. In 1981, Schweppes commissioned a trade survey which suggested that multiple grocers only wanted to stock two major brands of squash plus own label. Schweppes' Kia-Ora was then the third brand and it seemed that unless its position was strengthened, sales would decline.

Schweppes decided to relaunch Kia-Ora, packaging the squash in new, cheaper plastic bottles and using the savings to fund an advertising campaign. BMP was briefed to build awareness of Kia-Ora as quickly as possible.

The agency identified orange squash as the key sector. It had a 60 per cent share of the £164m squash market. BMP produced two television cartoon commercials, to run in 1983-84 and 1985-86, designed to appeal to both mothers and children.

Both were innovative, very popular – and effective. In the first year of advertising, Kia-Ora increased its sales and market share to become the No 2 brand. By the end of the second year, Kia-Ora was brand leader, ousting Robinsons, and it consolidated its position in the following two years.

The "we all adore a Kia-Ora" advertising generated at least £1.9m additional profit after paying for itself.

THE TWENTY MOST POWERFUL BRANDS IN EUROPE

	A	B
Mercedes-Benz	4	2
Philips	2	8
Volkswagen	3	12
Rolls-Royce Motors	15	1
Porsche	10	3
Coca-Cola	1	66
Ferrari	18	5
BMW	20	4
Michelin	12	26
Volvo	14	25
Adidas	19	21
Jaguar	31	11
Ford	8	103
Nivea	16	53
Esso	11	83
Sony	29	24
Nescafé	6	193
Colgate	9	141
Christian Dior	38	14
Nestlé	24	45

A – Familiarity;B – Rank
Source: Landor Associates

Recognition and respect — the big divide

Christopher Parkes on an assessment of brand identities in Europe and Japan

Everyone loves an institution.

The Dutch adore KLM and the French preen themselves over Air France. The Belgians and West Germans are equally enamoured of Mercedes-Benz. And although the Japanese are deeply fond of their Takashimaya department stores, their feelings nowhere near match Britons' appreciation of Marks and Spencer.

But what happens when the status of these names – each of which has been assessed as the top brand in their home countries – is tested in the wider market place of Europe?

Mercedes emerges as the Community's top marque and Marks and Spencer and Takashimaya, despite their pre-eminence in their home markets, disappear without trace from the league of 300 big names published this week by Landor Associates.

KLM also fails to make it, although Air France creeps into 106th place, sandwiched between Bacardi rum and Zanussi appliances.

Landor, the US-based international design company which first attracted UK public attention when it prepared the latest change of British Airways livery, and more recently with an assessment of brand values which caused a kerfuffle in the US, has followed up with a similar operation in Europe and Japan.

Touting a mixed bag of corporate names, brands and marques around the EC, it surveyed popular reaction in eight countries of people's familiarity with and feelings about more than 1,000 names. It has produced an international table ranking them by what it calls ImagePower (see left).

With the current success rate for new brands running at one for every 30 flops, and with promotional costs rising, companies are paying more attention to the possibility of better exploiting their established names, says Alan Brew, Landor's managing director.

"It is difficult to plan line extension strategies without knowing what these assets are worth." Also, he says, certain companies are becoming preoccupied with the desire to control identities which have the power to transcend national boundaries.

In this vein Landor is currently working on assessing the global image and worth of Ladbroke's newly-acquired Hilton hotel chain, and doing a similar job on Johnnie Walker, Guinness's prime Scotch brand.

According to Mike Allen, Landor's European marketing head, the complex of forces affecting brand power ranges from the commonsensical to the intangible. "Things like cars and credit cards gain from high usage . . . Marlboro gains personality from the image of the cowboy," he says.

Longevity counts for products like Kleenex, the earliest name in tissues; quality for Rolex and Dunhill; uniqueness for Lego construction toys.

But high rankings alone cannot be taken as a reliable indicator. The components of the calculation can be more important than the whole. VW appears in seventh position in Landor's league of the top European brands in the US, but its position owes more to its familiarity score (the highest in the group) than to its esteem rating (the lowest by far).

Similarly, it was more by repute than recognition that the Financial Times squeezed itself into the lower reaches of the all-Europe table – somewhere between Biotex detergent and Lenor fabric softener.

It is hardly surprising, given Landor's formula, that national institutions of one type or another loom large, especially where national pride is involved. Mercedes, Porsche, BMW and Volkswagen take the top four places in West Germany.

In chauvinist France there are only four foreign names in the top 20, and Coca-Cola, which has emerged as the world's undisputed leader, does not even figure. Its high rank in all other countries is shared in France by Perrier and Orangina.

But foreign names feature strongly both in traditionally open markets like Britain and the relative late-comers to the world of consumerism. There are nine foreign-owned names in the UK top 20, 10 in Italy and 15 in Spain.

In Europe overall, however, it emerges that 22 per cent of the top 50 power brands come from the US, with similar proportions originating in France and West Germany. Only 6 per cent are British.

Landor says it intends to undertake a regular yearly survey in the US, Europe and Japan, improving the system as it goes. There have to be questions about an analysis which appears to relate the disparate merits of IBM and Chiquita bananas, but if they do nothing else, these figures serve further to illustrate the width of the awareness gap between Britain and the European market.

British prestige is reflected across the channel in the strength of the Rolls-Royce and Jaguar car marques. Familiarity, however, seems related in the main to the popularity of Schweppes mixer drinks, scotch whisky and that great-auntie of all institutions, the BBC.

THE Europeans lead by miles in the Japanese power-branding league when it comes to snob value, but the US has the edge in the mass market, the Landor survey of Japan shows.

Porsche, the West German car-maker ranks second among US and European companies competing in Japan. Squeezed in between Coca-Cola, Kentucky Fried Chicken and McDonald's, it is clearly the marque of the moment.

Together with BMW, Volkswagen and swanky luxury goods makers like Gucci, Dunhill and Louis Vuitton, Porsche appeals to the ostentatious and exceedingly rich.

Nestlé, the Swiss grocer, is the only European mass market concern with wide popular awareness and appeal, the study suggests.

The Japanese obsession with Mickey Mouse and his relations is reflected in a ninth place for Disney (just behind IBM), while most of the other places go to a curious mix, including Kleenex tissues, Sunkist oranges and Del Monte canned fruits.

ARTS

Walks on Water

HACKNEY EMPIRE

It was just one of those evenings. Even the reception desk loaded with bottles collapsed before the show started. Hopelessly misinformed as to the duration of Rose English's new spectacular, and driven onto the streets by a bomb scare, I can only report on a third of Tuesday night's proceedings. A late start did not help. An air of muddle was all pervasive. Customers were kept standing on the pavement while the lighting plot was completed. And all pleasure at returning to this venerable people's palace in Mare Street, E8, evaporated at the sight of an officious attendant barking at people to queue for their tickets before they had even come in.

I like to think it was this same bumbling and pathetic incompetent who announced the alleged presence of a bomb on the premises (which he should never have done) before blithely broadcasting the secret backstage alert signal.

By this time the show badly needed to move on, but instead the audience had to move out. Rose English had started brilliantly, pushing up the heavy red curtain, holding on to it, and disappearing from view into the flies. The scene was a grey classical palace designed by Stephen Vincenzi and painted in receding perspectives.

Twelve men in haystack wigs and beards, blue feet and red togas trooped on, a tragic, or at least crestfallen, chorus, while an opera singer warbled in a distant box. English descended from the flies like a Monteverdi goddess dressed as Isadora Duncan. An accordionist came on and shook all the men by the hand, a courtesy repeated by English.

Ken Dodd would, and indeed did, refer to this venue as a magnificent shed. For English it is a womb-like space where words can grow into sorts of meanings. Her sly revelry in amateurism is exploited in an athletic stunt double who executes the dance of the placenta with a matadorish swirl of a red cape, dives through flaming hoops, and delivers a swaddled baby girl to each of the old men while tumbling acrobatically across the stage. At each exit, English runs on to take the credit.

The trick with doing things badly for comic effect, though, is to make it clear you could easily do them very well. Amid a farrago of missed cues, careless elisions and half-baked chat with the audience, Rose English and her submissive old men make severe demands on our faith in their ability to make it through the interval, let alone to the end of the show. Perhaps the bomb scare was fortuitous.

Perhaps not. In the forest we were promised the beginning of love followed by the deluge, and revelations by the waterfall. A lady who had come to the theatre by bus was serenaded on the trumpet and English bathed the stalls in her comforting, Gertrude Stein-ish banalities, lying down on a bed and remarking how she tried to make this look as easy as possible.

She is very funny indeed when she wants to be, lacing a child-like wonder in illusion with a tart warning of its transience. She seems to have walked straight out of one of her own dreams, a strange quality. But her technique is in danger of swamping by sloppiness.

Michael Coveney

London Assurance

LEEDS PLAYHOUSE

Boucicault's farce, commissioned for Covent Garden when he was only 21, ought to be played as often as the Ray Cooney numbers, if it were not for its cast of over a dozen and its five scenes, for it is one of the funniest plays in the language.

At the Leeds Playhouse, under Tim Luscombe's direction, discreet doubling keeps the company down to 11, and the sliding circumferences of Ruari Murchison's ingenious circular designs take us from one scene to the next as quick as television. The adaptation by Ronald Eyre fits splendidly under such expert hands on the Playhouse's small stage.

None of the company was familiar to me, perhaps because I watch television so little; and this was a positive advantage, for the characters, not quite caricatures, should have only the life of figures in a strip cartoon. To recognise them as well-known players deprives them of the fantasy lives that Boucicault and the company have given them. They would be Mr A and Miss B. doing their performances, rather than the elemental creatures composed of just so many basics of appearance and behaviour and no more.

So James Saxon's Sir Harcourt Courtley, 63, plump and self-satisfied, sees nothing wrong in wishing to marry pretty young Grace Harkaway (Georgie Glen) for her £15,000 a year. A passing preference for the horsey Lady Gay Spanker (Delia Lindsay) need not deter him, for Lady Gay's attachment to her wet husband Adolphus (Derek Smee) seems weak enough.

But Grace has fallen for Courtley's son Charles, though she knows him as Mr Hamilton, his ever-ready friend Dazzle having provided him with a new persona on the spur of the moment so that he may not be recognised by his father at Squire Harkaway's house. This is the kind of thing Dazzle (Simon Dutton) is inclined to. "What's afoot?" he asks when Courtley and Adolphus are about to fight a duel. "Villainy and ravishment" he is told. "Oh, good" says Dazzle.

Charles is at Oxford when he can find the time; Jonathan Donne plays the student/Hamilton duo for laughs as much as conviction, but he and Miss Glen, with her rolling eyes and weakness for poetic talk, bring us as near as we need to orthodox romance.

The minor characters are played with the same sense of comic-paper reality — Terence Skelton's Harkaway with his ever-handy hunting-horn, Andrew Normington's lawyer Meddle, always on the lookout for a quick six-and-eightpence, Ruth Hudson's maid Pert, pretty certain of a fortune in that kind of society. The production radiates an expert sense of comedy, and on the night of my visit a big house received it with vigorous enthusiasm.

B.A. Young

Reynold's portrait of Georgiana, Countess of Spencer and her daughter: an affecting portrait of maternal tenderness

Chosen to reveal the British way of life

One visible by-product of The Queen's recent visit to Spain, the first by a British monarch, was that it precipitated another first: a long-awaited major exhibition of British painting, now at the Museo del Prado until January 8.

Given the poor representation of British art in Madrid, the show (organised by the British Council and sponsored by the Barclays Bank Group) effectively introduces a school of painting — and no small amount of fresh air — to the grand and gloriously endowed galleries of the Prado. Perhaps the greatest surprise to viewers in Catholic Spain is the total absence of religious painting in the survey. For me, it is how well the 60 or so canvases stand up to their formidable competition.

Hogarth, who never tired of arguing that native painters could equal any foreign Old Master, is vindicated. He is the starting point of the show as the founding father of a native British school; the Romantic landscapes of Turner and Constable a century later bring it to a climactic close (the abrupt cut-off is explained by plans to stage a show of 19th century painting in two or three years time.)

It is an emphatically British selection, with tours-de-force from the brushes of Ramsay and Raeburn (the latter's famous The Revd. Walker nonchalantly skates across the catalogue cover), Richard Wilson (the son of a Welsh clergyman) and Thomas Jones. Fuseli (a Swiss), Blake and John Martin are the sole major omissions. It is also, one suspects, a selection that aims to reveal as much about British life and character as the development of British art.

The exhibits could illustrate a history of British sports and pastimes. From Stubbs's stable comes the Grosvenor Hunt, Gimcrack at Newmarket, and the Duchess of Richmond and Lady Louisa Lennox exercising the Duke's hunters. Francis Cotes's Master Cage comes with his cricket bat; Raeburn's Ferguson boys with archer's bows.

The Englishman's love of himself, his house and his horse is evident, but the focus is not only on the pleasures of the chase. Zoffany, an honorary Englishman for the exhibition, presents the extraordinary sight of all 15 members of the Sharp family and their

The Spanish may be surprised by the absence of religious subjects and the abundance of the sporting in the exhibition currently at the Prado Museum.

instruments piled up high into a pyramid for a Thames-side music party.

Gavin Hamilton's impressive Grand Tour portrait shows the young Duke of Hamilton on a hill overlooking the Forum, with his tutor (a perceptive portrayal) and the latter's son, later Sir John Moore, the hero of Corunna. And Zoffany again depicts Charles Townley and his antiquarian friends at home in London surrounded by the best of his collection of Classical marbles that formed the basis of the British Museum holding.

These pictures beg comparison with the Goyas of the Prado's concurrent show, *Goya and the Spirit of Enlightenment* (reviewed in the Weekend FT last Saturday). Here is a small collection of British "ilustrados," including the distinguished mathematician William Jones, painted by Hogarth, and Francis Wheatley's Greuze-inspired view of the philanthropist and reformer John Howard.

Gainsborough's famous Mr and Mrs Andrews can be seen as a portrait of a proud, improving country landowner, while the clarity of Samuel Scott's view of the new Westminster Bridge comments on progress and improvement in the city. Goya's own subject-matter finds the closest parallel in Hogarth's moralising Comic Histories that satirize British vices and castigate deprivation, corruption and human cruelty.

The exhibits also reveal the British penchant for informality and naturalness, and enlightened attitudes towards children. Hogarth depicts the celebrated children's performance of Dryden's "The Indian Emperor," while Reynolds's portrait of Georgiana, Countess of Spencer and her daughter is one of the most affecting portraits of maternal tenderness. ("They are the family of Princess Diana?" one awe-struck visitor asked me.) Its loan, from Althorp, is one of the coups of the show, for the canvas was not lent to the 1986 Reynolds retrospective at the RA.

Bravura works by Ramsay and Lawrence dominate the portraits; Gainsborough fares less well. None of the six works here show this great Romantic painter at his best. Similarly, Turner, the greatest and most original of all British painters, is served less well than Constable. The plus side is that, once again, the selectors chose to provide us with a welcome opportunity of looking at unfamiliar works, from Lisbon, Bury, Munich and the US.

*

More paintings from Britain, mainly from Apsley House and Stratfield Saye, are also in Madrid as part of a substantial historical exhibition on Wellington in Spain at the Municipal Museum until December 11.

Susan Moore

Kurtag and Beethoven

WIGMORE HALL

The Sayings of Peter Bornemisza is one of the biggest of György Kurtag's scores, a 40-minute vocal cycle which grew out of an initial plan to write an opera on Bornemisza's version of Sophocles' *Elektra*. But instead of setting the tragedy Kurtag turned to the Reformation pastor's own sayings and sermons, casting them into four movement-spans — "Confession," "Sin," "Death," "Spring" — though each, characteristically, is a mosaic of smaller fragments, and designating the whole thing as a Concerto for soprano and piano.

The writing for both performers is hugely demanding, and the element of virtuoso display might justify the concerto epithet on its own. But Kurtag evidently was evoking baroque models, and Schütz's works for solo singer and continuo in particular. The vivid attention to verbal nuance and the complete symbiosis of soprano and piano give the piece an astonishing intensity, and place huge demands on the performers.

Certainly performances in Britain have been rare since *The Sayings* was completed 20 years ago. Tuesday's was given by Lucy Shelton and Andràs Schiff, and it was paired in the Wigmore Hall concert with Beethoven's Hammerklavier Sonata. Evidently the Hammerklavier was another model for Kurtag; the four movements of the Concerto-cycle correspond roughly to those of a classical sonata, with a central scherzo and slow movement, and both Kurtag's fondness for imitative effects and the rebarbative surface of much of his piano writing hint at such a kinship.

Whether pairing the two works in a single evening is as effective as it is logical is more doubtful. It is certainly tough-going, for the pianist in particular, and Schiff's Beethoven playing would I am sure have been more poised and evenly realised had he prefaced it with something less demanding than the Kurtag. As it was, his Hammerklavier contained some arresting things — revoicings and pointed articulation that genuinely suggested a fresh viewpoint — but also sections that still appeared to be under consideration and yet to reach a definitive form. His performance with Shelton of *The Sayings of Peter Bornemisza* was sometimes witheringly acute, though the range and expressive power of the vocal part really demands a notional singer who can couple a coloratura upper register and the richness of a mezzo. Her singing of the Hungarian seemed to a non-expert most assured; it is an imposing piece, one of Kurtag's best, but unlikely to heard more than occasionally in the concerto hall.

Andrew Clements

The Electric Lontano

ST JOHN'S, SMITH SQUARE

The Lontano Ensemble's second concert, given on Tuesday night, of its St. John's season during which it is joining forces with the Electro-Acoustic Music Association of Great Britain, featured four electro-acoustic works by three composers who have played a vital part in the development of electronic composition in this country.

Jonty Harrison's *Farben* ("Colours") is, like its Schoenbergian namesake, a study in timbre: the material (scored for eight-piece ensemble) remains simple (sometimes consisting of a single reiterated note) while the rate of timbral change is high — and fascinating. The scope of the instruments is greatly enhanced by real-time electronic modification: the natural sounds and their electronic exfoliations are indistinguishably and beautifully blended, as though the combining process were second-nature to the composer, which I suppose it literally is. A *perpetuum mobile* section half-way through stood out for incisiveness; but the whole substantial and highly intelligible piece never lacked for tautness. It was conducted by Odaline de la Martinez and sound-projected by Stephen Montague.

Arc, by the late Barry Anderson, fused live gestures from a string quartet and bass clarinet with a computer-generated tape-part of considerable richness and depth, realised at IRCAM in Paris, and founded exclusively on sounds made by the above-mentioned instruments. The electronics, developing the hidden possibilities of instrumental tone-production, and the instruments, often mimicking electronic techniques, met each other half way.

In Simon Emmerson's *Time Past IV*, soprano Jane Manning's urgent utterance of Shakespeare's thirtieth sonnet ("When to the sessions of sweet silent thought") was overlaid and seemingly distorted — becoming all the more tremulous and intent — by a complex of sounds on tape. His new work, "Songs from *Time Regained*," was an extract for soprano and eight instruments (with some live electronic modulation) from a "secular requiem" in progress. The texts mix North American Indian poems with verse by Wordsworth and Whitman. The result was lively, unusual, and distinctly unmournful.

Paul Driver

Peter Grimes

BERNE

It is a tribute to the craftsmanship and enduring fascination of Britten's operas that they have maintained such a regular place in the the repertory of continental theatres, confounding the fears of those who expected a reaction after the composer's death.

Britten's style of music-theatre seems to appeal above all to the Germans, but Switzerland has also proved a fertile climate in recent years, thanks mainly to the partnership of the conductor Roderick Brydon, the stage director Francois Rochaix and the designer Jean-Claude Maret. Their latest collaboration at the Berne City Theatre is the first of three different productions of *Peter Grimes* to be staged in Swiss theatres in coming months, and it coincides with several other Britten events in Berne, including a *Noye's Fludde* sung in Swiss-German.

Peter Grimes did not show this team at its best. The strength of their previous Britten productions — the sense of cumulative tension, psychological intensity and precisely calculated musical drama — were unevenly and uncertainly recreated; and the challenges presented by Britten's choral and orchestral writing require a more consistent and exact response than was evident here.

The production (sung in German) nevertheless offered a useful introduction to the opera. Maret's single set of open beach, flanked by a platform of wood-tiled embankment and shrouded in an aura of wind-swept cloud, was characteristically plain and well-focused, even if the effect was occasionally primitive.

The scene at the Boar made the greatest appeal to the imagination, with a giant cloth overhang billowing up like a great squared-rig sail every time the storm burst through the door. The ensemble work here was vividly realised, with a series of entertaining cameos.

True to form, Rochaix tried to keep the drama at one remove from the audience through a set of distancing effects, which did not upset the poise and the immediacy of the more intimate set-pieces. The appearance of Grimes during some of the interludes suggested the orchestral music is as much a guide to his psychological state as a series of nature paintings — and it found an echo in the "Noye's off" of the final act, with the prize of the offstage chorus filtered through Grime's delirious mind.

Brydon's experience with the score gave the production a solid musical foundation. The dramatic shaping of the music was faultless, and the turbulent chromaticisms and elemental wildness of the storm scenes were faithfully brought to life. All this was achieved, however, at a heavy cost to balance and texture, and there was too much imprecise instrumental work.

Ian Caley sang the title role beautifully. The stillness and quiet purity of "Now the Great Bear and Pleiades" was especially impressive, and in a small theatre like Berne, the voice sounds well attuned to the role. His visual characterisation, on the other hand, was shallow and one-dimensional. This Grimes was a headstrong and eccentric social misfit, young and pathetic. There was little sense of emotional and physical explosiveness.

Alison Hargan's Ellen was a model of tenderness and restrained grace, and Lawrence Shadur, an American baritone with an immense and noble voice, brought out the earthy humanity of Balstrode.

Andrew Clark

ARTS GUIDE November 11-17

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists of the 20th century. Ends Dec 11.
The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection of lithographs. Ends Jan 4.
The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition. Ends Jan 17.
The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. Ends January 8.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal ([illegible]).
Galerie d'Art Saint-Honoré. Still lives in Dutch and Flemish art of the 17th century. 267, Rue Saint-Honoré. Closed Sat, Sun and lunchtimes. Ends Nov 18.
Grand Palais. Seicento. Caravaggio's century in French collections. A dramatic production by Pier-Luigi Pizzi. Closed Tue, late closing night Wed (42.56.09.24). Ends Jan 2.
Galerie Hopkins-Thomas. André Brasilier charms with his portrayal of the feminine form — decorative and geisha-like — while the Galerie Etienne Sassi shows his ceramics and watercolours. 2 rue de Miromesnil (42.65.51.05) and 14 ave Matignon (47.23.40.38) respectively. Both exhibitions end Nov 19.
Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Banque Bruxelles Lambert, 6 Place Royale. Goldsmiths of 17 and 18th century Hainault. Daily 10-18.00. Closed Monday. Ends Nov 20 (517.2383).
Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Closed Monday.
Musée d'Ixelles, 71 rue Jean van Volsem. Belgian Art Deco 1920-40. Daily 13-19.30. Sat and Sun 10-17.00. Closed Monday. Ends Dec 18.

Amsterdam

Sotheby's (Rokin 102). As part of the William and Mary tercentenary celebrations Sotheby's is showing a wide range of objects from the period — paintings, furniture, silver and Delft tulip vases. Daniel Marot. Ends Nov 22.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980s. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Tubingen

Max Ernst (1891-1976) Collages. The exhibition shows 200 collages from dadaist and surrealist period. Eighty pictures in this exhibition are seen for the first time. Kunsthalle Philosophenweg 76. Ends Nov 27.

Vienna

Museum für Volkerkunde. The museum has put together from all over the world an exhibition entitled Two hundred years of Australia, 40,000 years of Australians.
Kunstlerhaus Christian art from the era of the Polish kingdom. Ends November 27.
Secession The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Klimt's famous Frieze now back in its original place.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Albertina. Drawings by Alfred Hrdlicka, Austria's controversial artist. Ends Nov 30.

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. Ends January 15.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring to the field of sacred art the concept of physical beauty. Until Dec 8.

New York

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

Chicago

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development. Ends Dec 11.

Tokyo

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. Closed Mondays.
Nerima Museum. Japanese Abstract Sculpture. Of all forms of contemporary Japanese art, it is sculpture that has received the most international attention and recognition. This exhibition focuses on the formative years of abstract sculpture from 1945 to 1960. Closed Tuesdays.

SALEROOM

Solid bids for British art

Sotheby's reckoned that its sale of British paintings yesterday would be its best in this sector for many years and so it proved. It brought in just over £8m, with only 6.5 per cent unsold, and although there was a spate of artist records the most remarkable feature was the solidity of the bidding for all the 141 lots.

A sign of national prosperity was revealed in the £1.65m paid by a private English buyer for a portrait by Gainsborough of Mrs Drummond. The painting has been abroad for over 60 years and the price paid was an auction record for Gainsborough, although more has been paid privately. The same buyer acquired another instant ancestor to glorify his home, a Van Dyck portrait of the 4th Earl of Pembroke, for £462,000.

Against this good news the purchaser of the most important painting in the sale from a heritage viewpoint, Lawrence's first portrait of the Prince Regent, depicting him as the victor of Waterloo, was sold for a record £660,000 to a mysterious anonymous buyer, who also spent £407,000 on a pretty painting of a girl on a white horse by Agasse.

Another painting which should stay in the UK, "Prospect of the River Thames at Twickenham," painted in the 1720s by Peter Tillemans, unfortunately doubled its estimate, at a record £143,000, making the task of Richmond, which is trying to buy it, more arduous. It was sold by the British Rail Pension Fund, which offered up six paintings, five of which sold, for a total of over £1.13m. Top price was £478,500 for a Ben Marshall sporting picture which the Fund paid £53,000 for in 1976.

Just to add a timely reminder that not every important Picasso painting is worth £10m, Christie's, New York failed to sell an important Cubist work by the artist on Tuesday night. "Femme à la mandoline," painted in 1910 and one of the first and most important examples of "high" Cubism, was bought in at $7m, around half the price that the saleroom was anticipating. After the $24.75m (£13.7m) record paid at Christie's the previous night for Picasso's "Maternité" this was an undoubted disappointment. However there was some balm when it was subsequently sold privately to a European collector for $7.5m.

Apart from that the auction was very much on target, with a total of £26,348,342 ($47,690,500), and a spate of record prices for "lesser" artists such as Pissarro, Boudin, Signac, Henri Cross, and the sculptor Jean Arp.

Antony Thorncroft

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Thursday November 17 1988

How to divert the deluge

THERE HAVE been times in recent years when the economic policy of the US – indeed, of the entire world – appeared to be motivated by the single motto: "after the election, the deluge". The only possible reaction to the election campaign must be doubt whether the ingenuity – shown, for example, by Mr James Baker – will prove to have been worthwhile.

Despite some tricky moments, economic fine-tuning has been amazingly successful. Starting in 1985, the dollar was devalued and an adjustment of the US external account put under way. The world economy has even coped with the stock market crash. Thus in 1988 the gross domestic product of the industrial economies will grow by some 4 per cent. Investment is booming and, with the collapse of oil prices, inflation generally looks under control.

The major threat now lies in the US. The current account adjustment of the US remains slow; inflationary pressure is more evident; the financial system is disturbingly fragile; and fiscal policy remains quite inappropriate. Meanwhile, the Federal Reserve is forced to engage in a tricky high wire act, with the ever present danger of falling off altogether.

Current deficit

What do the trade figures for September announced yesterday tell us? Mainly that exports are continuing to grow, if at a slower rate than earlier in the year, while imports remain very strong. Over the first nine months of 1988 the seasonally adjusted trade deficit was $102.9bn, to be compared with $127.3bn for the corresponding period of 1987. Seasonally adjusted exports were 29 per cent higher in the first nine months of 1988 than in the first nine months of 1987, while imports were only 9 per cent up over the same period.

None the less, the trade deficit for 1988 is unlikely to be below $130bn, a great improvement on last year's figure of $170bn, but still dauntingly large. Furthermore, the current account deficit may only improve by a little over $20bn by comparison with 1987.

The main danger of the current account deficit is that it represents postponed inflation, which would turn into actual inflation if the currency collapsed. With US economic activity still strong and unemployment low, the current account deficit is allowing the US to consume more than it can produce even at full stretch. So the depreciation that some regard as the cure of the illness would, in current circumstances, be the disease.

Fiscal policy

The US Government needs to tighten fiscal policy. But the promises of Mr Bush look no more credible after the election than before. His commitments on defence, other spending and taxation do not add up. This being so, the Federal Reserve will carry on fine tuning, all too aware of the inflationary dangers on the one side and the financial fragility on the other. At present, the 500 or so insolvent Savings and Loan Institutions have aggregate losses of some $65bn and are losing $15bn a year; the American corporate sector is planning to buy in some 10 per cent of its own equity over the next 12 to 18 months; and the appendix of Third World debt goes on grumbling.

If Mr Bush does not soon gain control over events, they are likely to gain control over him. He has to produce a credible fiscal policy. The Federal Saving and Loan Insurance Corporation must be given the resources to wind up insolvent thrifts altogether. There needs to be a replacement for the Baker Plan for Third World debt. Last but not least, the tax code must be reformed to make equity cheaper and interest more expensive to corporate borrowers.

The likelihood now is that rising inflation and dollar instability will be met, too little and too late, by higher interest rates. Those higher interest rates will produce severe financial disturbances and then a sharp recession. The Reagan legacy to Mr Bush would then be a repeat of the stagflation and subsequent disinflationary shock of the 1970s. Mr Bush must act decisively to divert this deluge or, like President Carter, he will drown in it.

Modest step in the City

THE FORM of the Securities and Investments Board's rule-book is changing, with yesterday's publication of a consultative version of its new conduct of business rules. They are much easier to read, and mercifully shorter. But if there is a change of style, is there a change of substance?

Since he arrived from the Bank of England as chairman last May, Mr David Walker has repeatedly made clear his wish to shift the emphasis from detailed rules to general principles. The aim has been to permit more flexibility in the operations of the five self-regulatory organisations (SROs) which regulate the vast majority of investment firms and practitioners.

There are solid arguments in favour of rolling back some of the legalism of the regulatory structure. Whereas this appeared to be risky when the SROs were first being established because of the possibility of a competitive degradation of standards as the various bodies competed at the margin for members, the system is now much more stable.

But the danger has been that Mr Walker would seek too much discretion in overseeing an investment community which stretches far beyond the City's cosy confines. Flexibility could lead to a concentration of power at the top of the SIB. That in turn could result in undue favouritism towards established firms and hostility to product innovation.

General principles

In the event, Mr Walker's trailers were rather more exciting than his feature film. There has been talk of replacing a voluminous rule-book with a set of general principles, but the new approach includes no less than 93 principles. So it amounts to little more than a rearrangement of the existing material.

Two points must be borne in mind, however. First is the decision to set out principles which potentially override detailed rules, on occasions when practitioners seek to exploit loopholes or contradictions. This continues an important aspect of the City's self-regulatory tradition: the spirit should count for more than the letter. Whether such vaguely-worded principles as "complaints must be properly handled" can be satisfactorily enforced may, however, be another matter.

Secondly, this is only the first stage of SIB's transformation. Further simplification can be expected in future years, although the ultimate stage, when SIB will act only as guardian of general principles, cannot be reached until the statutory requirement that it should provide direct authorisation is revoked, so that its rule book can lapse.

Erratic pendulum

Going down this path will not prove easy. For instance, there will be a clash with the legalistic approach to regulation common in other European Community member states.

Domestically, the political pendulum is likely to swing erratically to and fro according to power shifts and to the incidence of investment scandals. The Department of Trade and Industry under, originally, Mr Norman Tebbit, encouraged – and even insisted upon – the rigidity of the first SIB rule book but now with Lord Young in charge, the DTI has stood right back. Given the Department's own uncertain record in financial regulation this reticence is welcome. But it does raise questions about the extent of the SIB's freedom to interpret the rules.

For the time being, investment practitioners will continue to be burdened with heavy costs, and it must still be asked whether the regulators are living in the real world when they draft rules such as "it is unfair to favour some customers more than others with the benefit of research or analysis." But the proposed modification, through new legislation, of the notorious Section 62, removing its application to professional investors, is a sign that practitioners' voices are being heard.

The Financial Services Act may be a dinosaur, but it is capable of evolution. The test for the future is whether the SIB can change the emphasis from bureaucracy without veering towards autocracy.

Terry Dodsworth explains the combined takeover bid by Siemens and GEC

The second battle for Plessey

THE General Electric Company of Britain and Siemens of West Germany are in some ways very similar companies. They both dominate their domestic markets in electrical and electronic equipment, they both have political influence, and above all, the eyes of the world have been on both of them ever since the idea of the single European market was first mooted. Yesterday they gave their answer to the 1992 question mark in the most emphatic way possible – their joint £1.7bn bid for Plessey.

The integrated market clearly poses a big challenge to companies like GEC and Siemens. Historically, their strength has been constructed on their positions in their home markets, where they have been at the centre of the public procurement business in a variety of sectors. In the post-war years of industrial reconstruction and heady economic expansion, these were rich fields to plough. In Britain, following the series of daring takeovers which created GEC in the late 1960s, the company became the largest beneficiary of orders in the defence and telecommunications sectors. In West Germany, Siemens similarly stood at the centre of the telecommunications production industry, tied by an umbilical cord to the Bundespost, the largest telephone equipment user in Europe.

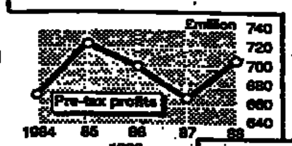
Today all that is changing. For both political and economic reasons, the vertical structure of public procurement, a system that has tied manufacturers closely to government departments and agencies, is breaking down. The European Commission is pushing through measures to open up markets to cross-frontier competition in Europe. Governments are becoming tougher on their suppliers, partly because they feel that producers have been feather-bedded for too long and partly because they are trying to whip their suppliers into shape to face Japanese and US competition. The accelerating shift to electronics-based systems is placing an increasing premium on heavy research and development expenditure which needs to be set off against higher sales.

These pressures have led to a bout of restructuring in Europe over the last two years. Alcatel of France has taken over ITT's European telecommunications activities to form the largest telephone equipment supplier in the region. Thomson in France, one of the two largest European defence electronics suppliers along with GEC's Marconi, has been reorganising this side of its business and has also taken over the RCA television business in the US. Ericsson, the Swedish telecommunications company, has moved into France's public exchange business with the purchase of CGCT.

GEC tried to join the action three years ago with its abortive bid for Plessey, which was eventually scuppered by Monopolies Commission opposition with the whole-hearted backing of the Ministry of Defence. Siemens made a similar move in 1986, when it was rebuffed in an attempt to acquire CGCT. Both companies had since begun to give the impression of being side-lined in all this activity, a point reflected in sluggish profits and a share price at GEC which is hovering near an eight-year low.

Giving one of his rare press conferences yesterday, Lord Weinstock, GEC's chairman, was at pains to stress the European element of the proposed deal. Flanked by Karlheinz Kaske, Siemens' chief executive, he said that the bid came from a recognition of the facts of life. "We are going to have a single European market and there is an industrial dimension to all of that." In the City, it was easy to find both supporters and critics, largely because the questions over the project are unusually complex.

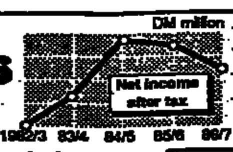
GEC



Turnover by activity	1988
Electronic systems & components	35%
Telecommunications & business systems	12%
Automation & control	9%
Medical equipment	6%
Power generation	9%
Electrical equipment	12%
Consumer products	9%
Distribution & trading	3%
Associated companies	4%
Other activities	2%

- 1988 pre-tax profits £708m on sales of £5,553m
- Managing Director since 1963: Lord Weinstock, age 63
- Attempt to purchase Plessey in 1986 stopped by Monopolies & Mergers Commission

SIEMENS

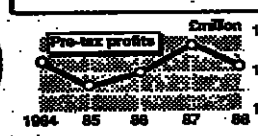


Approximate breakdown of sales	
Components	4%
Energy & automation	20%
Electrical & automation	6%
Communications & info systems	17%
Medical	9%
Telecommunications networks	17%
Power plants	22%
Lamps, etc	6%

Source: Robert Fleming Securities

- After-tax income in year ending Sept 30 1988: DM 1.4bn on sales of DM 59bn
- President & Chief Executive Officer since 1981: Karlheinz Kaske, age 60
- July 1987, bought majority interest in loss-making Bendix Electronics from Allied-Signal, with option to go to 100%

PLESSEY



Turnover by activity	1988
Telecommunications	47%
Electronic systems & equipment	36%
Aerospace & engineering	9%
Microelectronics & components	11%

- 1988 pre-tax profits £172.1m on sales of £1,300.9m
- Chairman & Chief Executive since 1970: Sir John Clark, age 62
- Fought off takeover bid by GEC, but formed GEC Plessey Telecommunications in joint venture with GEC on April 1, 1988

- First there is the question of how the bidders will surmount the obstacle that was thrown up to GEC's last offer for Plessey. The takeover rumours about Plessey that have swirled around in the City for the last six months or so have frequently been discounted because of the Monopolies Commission ruling last time. So the question yesterday was whether or not GEC had already had a nod from the Government that it could go ahead with an offer.

Lord Weinstock refused to comment on this. But the Ministry of Defence made it clear that the game has changed in the past two years. A repetition of the old bid, an official said, would have elicited the same opposition from the department; the new one would have to be looked at on its merits.

The City, in its pragmatic way, was taking the view that GEC would not have gone ahead and risked what would be a humiliating second rebuttal unless it had received some indication of what would be acceptable. And GEC, it was argued, had constructed a skilful package to evade the suggestion of monopolisation of the UK defence business. Under the agreement with Siemens, the Plessey defence business would be half owned by each of the new parents, but be run separately from GEC's Marconi division in the UK, thus ensuring competition. Overseas, GEC would improve its entry into West European markets through buying into Siemens' defence activities, and into the US by taking over half of the Plessey operations.

- Second, there is the issue of West German and European anti-trust legislation. Mr Kaske said he did not expect any problems with the redoubtable German Cartel Office, and pointed out that the European Commission had not raised any objections to Alcatel's takeover of ITT's European interests two years ago. But with the Commission determined over the last few months to play a more active role in mergers policy, the acquiescence of Brussels cannot be taken for granted.
- Third, there is the question of the industrial logic of the proposed deal, which has three main components.

In the telecommunications field, the area in which Siemens is most interested, the arguments for European integration are compelling. Indeed, it was precisely the perceived need to gain improved economies of scale that drove GEC and Plessey into a forced marriage only eight months ago, when the two companies buried years of rivalry to form GPT. It was recognised then that GPT would need to seek partners beyond the UK, because even as a joint company it was small – its sales of just over £1bn compare to Siemens's £4.5bn. Add the two businesses together, and the total comes behind only AT&T of the US (around £9bn) and Alcatel (£6.8bn).

Has GEC already had a nod from the Government that it can go ahead with an offer?

Yet how easy is it to reap economies of scale in these activities? To underline just one point, the partners would have between them three main public switches – Siemens's new digital product, System X in the UK, and an exchange made by GPT's Stromberg Carlson subsidiary in the US.

Clearly there are likely to be economic penalties in any such venture – Alcatel's returns on investment, for example, are significantly lower than GPT's – so the policy is a long term one. Mr Kaske stressed this when he underlined his conviction that it will cost about $2bn (£1.1bn) to develop the next generation of switches due at the end of the century. Siemens, in other words, is clearly prompted by the aim of increasing its market share in the telecommunications field – an approach that has tended to appeal less to GEC than short-term profits.

In defence electronics, the project seems to have been constructed with an eye as much to the dictates of UK competition policy as to the demands of running a genuinely European company. Unlike Siemens, GEC's overriding concern is in the defence field – including components, the company has sales of around £2bn in Marconi and its aerospace activities compared with Siemens's £250m.

GEC pointed yesterday to the growing trend towards international collaboration in defence electronics, a shift of direction that has become necessary as some of the larger programmes in aerospace and missiles have outgrown the financial resources of any single company.

In the UK, however, the implication of yesterday's announcement was that there would be little of this collaboration between the GEC operations and Plessey's defence business. The emphasis was placed instead on the increased weight the combined group would have in the rest of Western Europe.

Some analysts believe that this proposal for partial integration makes no sense. The only logic of the deal in the long term, they contend, is for all the defence activities to come together, and they assume that, in time, this is what will happen, with the collusion of the Defence Ministry.

Others in the City believe, by contrast, that the weight that Siemens carries in the rest of Europe could be invaluable in building up the defence sales of both the original Marconi and Plessey divisions over the longer term.

The two companies also made great play yesterday of collaborative ventures in the components field. There appear to be no plans at present for any financial linkage here, but they said that there would be co-operation to establish a "high level of technological interchange" between GEC, Plessey and Siemens.

Mr Kaske, added later that he would like to see the Plessey integrated circuit activities brought into the ambitious JESSI semiconductor research project, which have already brought together Siemens, Philips and SGS-Thomson, the Italian-French company.

The issue here is GEC's deeply ingrained scepticism about investment in semiconductors. The company has never been happy about investing in projects with such variable financial returns, and such an insatiable appetite for cash, which is why Plessey has beaten a lonely path in this field in Britain.

But many people would argue that semiconductors hold the key to the electronics companies of the future. So will Lord Weinstock be prepared to back new chip ventures alongside Mr Kaske, an engineer with a deep personal commitment to improving Europe's competence in this field?

Because of the lack of clarity over these different questions, some analysts were dismissing the proposed takeover deal last night as badly thought out and messy. "This will be a charter for management by committee, and that never works," as one of them put it.

Others, however, argued that both GEC and Siemens were only taking the first steps down a road that is bound to bring them closer together. There are obvious synergies in the power generation field, for example, where both companies are strong players.

There is also the field of medical electronics, where GEC failed last year to put together a joint venture with Philips, and is widely regarded as needing a partner. What better choice than Siemens, the second largest medical electronics company in the world after General Electric of the US?

Logic or not, however, the City was last night preparing to sound the death knell of Plessey. The consensus view seemed to be gathering that only another reference to one monopoly body or another could save the beleaguered electronics group. Since the last GEC bid, Plessey has reorganised itself radically, shifted more towards services and sought to escape from the perpetual cloud of potential bids.

It has also brought in a a new managing director, Mr Stephen Walls, who distinguished himself as a doughty defensive bid player at Chesebrough Pond's, the US health care company which was eventually taken over. "He did brilliantly there in squeezing out the last dollar for shareholders," one analyst says. "Institutional shareholders have lost faith in Plessey as an operating company, so what they want to see from him is the last penny from the bid."

Additional reporting by Haig Simonian in Frankfurt and Nikki Tait in London

OBSERVER

Walker the talker

■ David Walker has always enjoyed words. His colleagues at the Bank of England nicknamed him Walker the Talker, and much of that comes through in the new rule book he put out yesterday as chairman of the SIB.

He is particularly proud of rule 47 which says: "Customer agreements for private investors must be easy to understand, and must not remove rights by stealth." It was one of the first to be composed, and survived countless redrafts.

Walker's style comes through in the stress the book puts on the spirit rather than the letter of the rules, a product no doubt of his time at the Bank with its tradition of "supervision by the eyebrow". He claims to be a believer in minimising regulation, and says his ambition is to boil the rule book down to the minimum, so long as institutions are strongly capitalised and disciplined by the need for good disclosure.

Yet having moved so quickly to put his stamp on the SIB, and to introduce wider scope for discretion by those in command, Walker could risk making it too dependent on his own values, with their appeal to decency and fair play. Many of the new rules begin simply: "It is wrong to..." Some City lawyers could make hay with that.

Walker's next job could be Governor of the Bank of England. If so, he will still be in a position to influence the way the City is run. If not, it might be hard for anyone else to preside over Walker's Commandments.

Scala record

■ A friend was complaining at lunch yesterday about having to pay £75 to go to the Royal Opera House and one was countering that it costs much more at La Scala. If Riccardo Muti, who was sitting at the next table, overheard, he may have been mildly amused. It was announced in the afternoon that La Scala is setting new records. The top price for the first night on December 7 is L990,000 (£430). The opera is Rossini's William Tell, conducted by Muti.

Home rule

■ *Why do so many people* assume that there is no case for an independent Scotland within the European Community? Consider the following announcement in Wednesday's social pages: "The Hon George Younger, Secretary of State for Defence, was host yesterday at a luncheon at Admiralty House in honour of M Marc Fishbach, Minister of Defence, Agriculture and Sport of Luxembourg."

Luxembourg has a population of around 365,000. True, it has a customs union with Belgium, but it still manages to maintain a separate identity within the Community. Scotland has a population of just over 5m, rather more than Norway (just over 4m and outside the Community) and on a par with Denmark. It might, at least initially, be poorer if it were to leave the United Kingdom, but presumably there would be a customs union and Anglo-Scottish relations would not have to be hostile. Indeed they might improve as the Scots developed their self-confidence. They have quite enough resources to be a country in their own right.

I am not advocating such a course. But I do think that the British Government should take the continuing Scottish resentment of what looks like English rule more seriously

"By the way, George Bush dances a mean jitterbug."

George Younger should know that better than most people. He was Secretary of State for Scotland from 1979-86 and might be there still if Michael Heseltine had not walked out of the Ministry of Defence. Younger's majority in his constituency of Ayr at the last general election was 182. One trusts that he is now urging the Prime Minister to look again at the possibility of giving the Scots some form of devolution.

Common touch

■ There is a familiar ring about the preamble of the Palestinian declaration of independence issued this week by Yassir Arafat.

It reads: "Palestine, the land of the three monotheistic faiths, is where the Palestinian Arab people was born, on which it grew, developed and excelled. The Palestinian people was never separated from or diminished in its integral bonds with Palestine. Thus the Palestinian Arab people ensured for itself an everlasting union between itself, its land and its history..."

Compare that with the preamble to the Israeli declaration of independence recited by David Ben-Gurion in the Tel Aviv museum on May 14, 1948.

It runs: "The Land of Israel was the birthplace of the Jewish People. Here their spiritual, national and religious identity was formed. Here they achieved independence and created a culture of national and universal significance. Here they wrote and gave the Bible to the world. Exiled from Palestine the Jewish people remained faithful to it in all the countries of their dispersion..."

One always thought that the two sides in the dispute had something in common.

No foreigners

■ Mild surprises in the Lloyd's election results: Robin Jackson of the Merrett Group failed to make it as a working member. Possibly he had been too critical in public of what he calls declining underwriting standards. Anyway he fell short by over 400 votes.

Mary Archer, wife of Jeffrey, came top of the poll for external members by a mile. The buzz is that she will probably turn out to be very good. She is only the second woman to be elected. No foreigner has yet made it. John Van Der Hagen, a Dutch banker based in Rotterdam, came closest yesterday, but was still over 1,000 votes behind Archer. About half the eligible electorate voted in the working members' poll and about one third for the external members, both figures being slightly up on last year.

Flashy

■ Last of the series: a 14-year-old reader asks if we have heard about the glow-worm who was arrested for flashing

ECONOMIC VIEWPOINT

The Governor's unwise words

By Samuel Brittan

The Governor of the Bank of England, Robin Leigh-Pemberton, showed in his speech at the Forex Club in Luxembourg on Tuesday that he could give the Prime Minister a run for her money in coolness towards European monetary union.

But a more notable aspect of the speech is that the Governor has chosen, whether intentionally or not, to undermine Nigel Lawson, the British Chancellor, on two key issues: British membership of the exchange rate mechanism of the European Monetary System (EMS) in particular and exchange rate stability in general.

On the EMS, he said that "it is still not obvious that conditions are right for UK participation," which is Bank-speak for lining up with the Prime Minister against the Chancellor.

The Governor also served to undermine the policy of exchange rate stability, to which the Chancellor is committed in the here and now, by saying that "it cannot be the overriding objective of our policy," which is to use interest rates to exert steady downward pressure on inflation.

The Chancellor's publicly stated position – while neither as clear nor as forthright as I should like it to be – is nevertheless that the two objectives are rarely in conflict and that exchange rate stability can be a positive help on the counter-inflation side.

If I believed in the conspiracy theory of events, I would suspect that the Governor chose a time when the Chancellor was temporarily weakened by the absurd lobby briefing fracas to deliver his blow. But as I don't, and I know how long Bank speeches take to germinate, it is best to say that the whole speech was just misconceived.

It was also internally contradictory. The first two pages of the speech (after the introduction) were designed to answer those who fear that the end of exchange control in Europe will destroy the EMS. Subsequent pages are devoted to re-establishing the fear in the case of British membership.

Most worrying of all is the way Mr Leigh-Pemberton has bought every known academic half-truth about the supposedly sluggish working of market forces. Such arguments are normally used to explain intervention, subsidy and control of just the kind that Jacques Delors is accused of favouring. But when the target is monetary union, the most interventionist and anti-free market arguments are suddenly in order.

Real world economies can, of course, live with a good deal of market imperfection. The flexibility of wages and prices and the degree of labour mobility are not given constants, but depend on the policy regime in operation. There has been more internal flexibility in the UK in the 1980s than the pessimists supposed, precisely because the Thatcher Government convinced people that it would not rescue firms from the consequences of their own actions.

Similarly, there would be far more of the flexibility required to make fixed exchange rates in Europe work if businessmen at every level were convinced that parities were unlikely to move except in emergencies.

The Governor's case both against British membership and against strengthening the EMS exchange rate commitment is based on differential rates of inflation between countries. He utterly fails to consider the role the EMS can play – and has played for France – in reducing these differentials. Nor has he considered the practical unlikelihood of these differentials withering if countries conduct their own monetary policies in splendid isolation. The Bank of England's own difficulty in either devising or achieving domestic monetary objectives is hardly a shining example.

Exchange rates can, of course, be treated as a price like any other, as the Governor suggested. And a purely customs union can indeed work with widely fluctuating national currencies. But as Paul Volcker will argue in Frankfurt today, such fluctuations make little sense if the aim is a genuinely unified market cutting across national frontiers. In such a market it would surely be better to use the exchange rate as an anchor.

For the period immediately ahead there is little alternative to making the D-Mark the ultimate anchor. We could eventually have a more multilateral approach if we had a European central bank with the same degree of independence as the Bundesbank, and with the same constitutional commitment to price stability. But so long as the British Governor continues to trail behind Mrs Thatcher with the aid of discredited unThatcherite interventionist economics, the UK contribution will be precisely nil.

Robin Leigh-Pemberton, Governor of the Bank of England: cool on the European Monetary System

Monetary versus fiscal policy

The British Government has got into trouble with the economic establishment for its alleged neglect of fiscal policy and over-concentration on monetary policy.

It is, of course, only a certain type of fiscal policy that is being neglected. The official doctrine is still that given by Nigel Lawson to the Treasury Committee on December 9 1987, when he said that it would be quite normal to go below the balanced budget line in a recession year and above it in a boom year.

What the critics would like is more frequent budgets and larger fiscal swings deliberately administered in the face of inflationary or supposed balance of payments problems. It is no accident that mainstream critics attacked the Government in 1981 for tight fiscal policy in the face of recession and attack it today for not being tight enough in the face of a boom.

The Government prefers to tie fiscal decisions to long-term objectives, allowing the cycle to influence only the timing of changes, and to use monetary policy – that is interest rates – for whatever short-term changes might be necessary.

In Barclays Bank Review, Professor Alan Budd uses some simulations on the London Business School model to support the Government's view. His main finding is that interest rate changes have much bigger early effects, while income tax changes affect behaviour far more slowly.

It does indeed seem plausible that monetary policy should act reasonably speedily, which – allowing for data lags – means visible results next spring from this summer's tightening; and that fiscal policy should be slower to affect behaviour.

But the arguments for using monetary policy against inflation go rather deeper and are not dependent on the properties of any particular short-term model. The basic reason for relying on monetary policy is that inflation is at root a monetary phenomenon, whereas the ultimate effects of fiscal policy are structural. The precise relationships which the monetarists were foolish enough to posit between inflation and various measures of money, have indeed broken down and individual countries may do better to target the exchange rate as a proximate objective.

But ultimately, inflation is still to do with money, not budgets. If I knew that the money supply in the next 30 years were to rise one thousand times as fast as output, on whatever measure of money you care to choose, I would expect runaway inflation between now and then.

But if I knew, for example, that in 30 years time there were to be a budget deficit amounting to 2 per cent of GDP, I would have no idea what sort of price level to expect.

An increase in the budget surplus is, other things being equal, an addition to total national savings. It may be offset, as it has been in Britain, by an opposite reduction in private sector savings. But suppose it is not so offset, or the offset is incomplete? Then the ultimate effect of a larger budget surplus in a world of capital mobility will be on the balance of payments. For the current deficit represents the shortfall of savings below domestic investment; and if savings increase, the counterpart will be an improvement in the current balance.

So those who share the vulgar view that a current payments deficit requires government action, even when no inflationary forces are present, should indeed urge a tighter UK fiscal policy, not just here and now, but for as long as the problem is expected to last. But for those of us who regard inflation as the main British problem – and the balance of payments only as a symptom – then it is more important to act on the monetary side.

At an international level, the effect of a move towards budget surplus by all the major countries taken together would be to increase world savings and reduce world real interest rates. Such a concerted tightening is of course a long way off the political agenda. Even in principle it is only a good idea if you think that governments, separately or together, are better judges than their citizens.

But I am not trying to prejudge these issues: merely to point out that the ultimate impact of fiscal policy is on the allocation of resources, whereas the ultimate impact of monetary policy is on the price level – and thus should be of special attention to inflation fighters.

BOOK REVIEW

Reagan keeps on smiling

LANDSLIDE: The unmaking of the President 1984-1988
By Jane Mayer and Doyle McManus
Collins £16.00

It was fashionable, at the height of the Iran/Contra affair some 18 months ago, to contrast Ronald Reagan's involvement in this scandal favourably with the behaviour of Richard Nixon in the Watergate crisis. Though Jane Mayer and Doyle McManus, in their clear, comprehensive and often gripping book, avoid an explicit comparison of the two presidents, no-one reading it can doubt that the seriousness of the Iran/Contra affair far outstripped that of Watergate.

President Nixon, after all, merely connived at an atmosphere of lawlessness among his campaign staff that led to the burglary of the Democratic party's electoral offices. President Reagan explicitly authorised arms sales of questionable legality; and allowed his staff to undertake a support operation for the Contras in Nicaragua that was undoubtedly illegal. As a result of the Reagan White House's lawlessness, people died: on the Iran/Iraq battlefront and in Nicaragua.

President Nixon was hounded from office; but President Reagan, though suffering the erosion of power that the book's subtitle describes, has been able to recover popular esteem as his term ends.

Part of the reason for this disparity must be President Nixon's close involvement in the attempt to cover up his aides' lawlessness. President Reagan appears, on the authors' evidence, to have tried to tell the truth – with his own inimitable blend of fact and fantasy.

When congressional investigators unearthed a copy of a document in which Mr Reagan had approved the shipment of advanced Hawk missiles to Iran, "White House aides were dismayed to see the real purpose of the arms sale spelt out in black and white: 'Material and munitions may be provided to the government of Iran, which is taking steps to facilitate the release of the hostages.' But when they handed the document to Reagan, he read it quickly – and beamed. 'It doesn't say arms are being swapped for hostages,' he said triumphantly."

Somehow, it seems hard to blame a man so out of touch with reality. Mr Reagan's overriding motive was to get the hostages home. In this, he was following his preference for small-scale emotional issues over affairs of state.

The authors argue that Mr Reagan's commitment to the hostages was the driving force that propelled the White House to try to buy them back. If this is so, Mr Reagan's inability to stand back from emotional involvement made the whole scandal possible.

It is hard for the reader, however, to view Mr Reagan's attitude quite as sternly as Mayer and McManus invite us to. It is refreshing to discover that among the White House automatons, one man was genuinely sympathising with the hostages and their families.

Throughout this book – and in much press comment – President Reagan's second term is compared to an implicit Golden Age, his first four years. The failures of the White House team in the second term are part of the reason for the high reputation enjoyed by Mr James Baker.

Though Mr Baker and his colleagues certainly managed to avoid the disasters of their successors, future historians may see less difference between the two Reagan terms than the authors suggest. The President's strengths and weaknesses were equally at work in both. The administration's approach to economic policy in the first term, for instance, was as confused as any of the national security debates in the second term. If it was not as disastrous, that was partly because of the existence and independence of the Federal Reserve.

Similarly, the relatively successful dealings with the Soviet Union in the second term owe as much to Mr Reagan's sunny and optimistic character – and to the hard work put in by Robert McFarlane, when National Security Adviser – as to the change of leadership in Moscow. Mr Reagan is all of a piece: observers, like the American electorate, must take him or leave him.

Peter Martin

LETTERS

Stock Exchange rules

From Mr P.G.I. Bainbridge.

Sir, The Stock Exchange purports to espouse the cause of the small investor. But by its rule changes (without public consultation), which permitted raising up to £15m on the main market, £5m on the unlisted securities market, it denies the small investor the opportunity to participate in flotations.

Disposal of the private client element of the large broking and issuing houses prevents them involving the public when they issue shares by the placing method, because their clients are largely institutionally based. The present composition of the Stock Exchange council is (reportedly) one half foreign representational, so there seems no incentive to change this unfair procedure.

The Government wants to involve the public in the British Steel share offer, furthering its policy of wider share ownership. One of the most effective methods of promoting that cause is to allow the public the opportunity to apply for shares in new issues.

That can be achieved by the Government now requiring the Stock Exchange to change those rules which have been shown to work against the public interest.

P.G.I. Bainbridge,
Seychelles,
Pacific Beach,
San Diego,
California; USA

Vulnerable to takeover

From Mr A.B. Wyand.

Sir, Mr Hennessy's comments on the failure of European markets to allow the free-wheeling merger and acquisitions activity common in the US (November 11) hardly bear examination.

He fears Europe will be ill-equipped to tackle the US and Japanese challenge. But *le défi Americain* was defeated some years ago; it is now the slow growing, unproductive US which fears Europe. As for Japan, no market in the world is more resistant to hostile takeover or restructuring.

No: there is little evidence that a free market in the control of companies is a necessary condition for economic success. On the other hand, there appears good reason to question whether such a market, and the leveraged deals which accompany it, do not inhibit management from pursuing steady, longer term strategies.

It is evident, for example, in the insurance industry, that UK companies are at a clear disadvantage in developing their international activities because of the vulnerability of the home base, a vulnerability unknown to the Germans or the Japanese, to take but two examples.

A.B. Wyand,
CU Assurance,
PO Box 420, St Helen's,
1 Undershaft, EC3

Security in prudence

From Mrs Tricia A. McLaughlin.

Sir, May I correct a statement made in your personal finance column (Weekend FT, November 12)? The protection afforded by the Building Societies Investor Protection Scheme is 90 per cent savings, with an upper limit of £10,000 as stated.

Of course, the security of building society investments is well known; since the Second World War no ordinary investor in a building society which is a member of the Building Societies Association has lost any of his or her savings.

The security which building societies offer rests primarily on the strict prudential requirements they are obliged to meet; the monitoring of societies' activities undertaken by the relevant government department; the Building Societies Commission and, finally (in the last resort), the Investor Protection Scheme.

Tricia McLaughlin,
The Building Societies Association,
3 Savile Row, W1

Hands off the BBC

From Mr Henry Taylor.

Sir, I sense that large numbers of your readers – including, perhaps, Sir, even yourself – are in the main reasonably contented with the services provided by the BBC, and are disturbed by the proposals of the white paper on the future of broadcasting.

Britain has a public service broadcasting system second to none. It is the envy of many other nations. Now it is proposed to allow this to dwindle away through the operation of some nebulous "subscription" system.

This is not, I hope, (and certainly should not be) a political question, and I urge that your readers, regardless of political affiliations, should sit down here and now and draft a brief note to their MP requesting that the BBC be allowed to continue as it is. Argument *in extenso* is an optional extra; the main thing is to get a word of protest in the post, quickly.

Henry Taylor
Fieldholm
Spark Bridge
Ulverston, Cumbria

'The planning system is part of the welfare state'

From Mr Tim Blackman.

Sir, Paul Cheeseright quite rightly emphasises that it is the UK planning system rather than architectural fashions that lies at the heart of the popular protests about development ("What Prince Charles didn't say," November 5).

While increasing numbers of people may feel that they have more control over their private space as they join the burgeoning ranks of home owners, growing numbers also appear to feel that they have less control over "public" space – the environment around them.

Paul Cheeseright, however, does not develop his argument beyond "the planning system". As conceptualised in the 1930s and 1940s, the British planning system is an integral part of the welfare state.

The strategy has been to remove what happens to land and buildings from the market place to the public realm of a democratic state. The aim has been to organise land use rationally from the perspective not of the individual profit-maximising developer, but of the society as a whole.

The truth of the matter about so many large developments which only alienate the ordinary public is that these are commodities traded in a market place from which the mass of people are excluded. Faced with these seemingly uncontrollable forces, people naturally seek security in the architecture of the past.

It is surprising that the Labour Party has so little to say about town and country planning. The 1947 system was that party's creation; a progressive piece of legislation, despite its weaknesses in bringing forth socially useful development.

But the public mind has been led to associate planning with bureaucracy, particularly the failures of the 1950s-1960s modernisation era.

As with the welfare state debates in general, the issue here is not how to extend markets on the false assumption that "freedom" can be exercised by all of us, through consumption.

It is how to extend real freedoms in a necessarily *social* system, including the physical conditions of society, by extending democracy. The Conservative Government's record on this in local government and the planning system has been appalling.

Tim Blackman,
University of Ulster,
Cromore Road,
Coleraine, County Londonderry,
Northern Ireland

Perfidious Albion

From Mr F.W. Daley.

Sir, Lord Cockfield may be advancing a "maximalist view" of member states' obligations *vis-à-vis* the development of the European Community (November 3). Some of us may think he does not go far enough.

Surely the foundation of a united states of any kind must be the common language spoken. I suggest that French should be adopted as the only language for the future United States of Europe. It is much sweeter than either English or German and, being somewhat imprecise, would enable the Perfids from Albion to talk their way out of any corner.

F.W. Daley,
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8000 Munich 5,
West Germany.

FINANCIAL TIMES
Thursday November 17 1988

Thatcher bids sweet farewell to Reagan era

By Peter Riddell in Washington

MRS Margaret Thatcher, the British Prime Minister, and US President Ronald Reagan yesterday claimed in an extravagant exercise in mutual admiration to have transformed the prospects for liberty and prosperity in the West under their leadership.

The expressions of esteem and self-congratulation came at a full ceremonial welcome for Mrs Thatcher on the south lawn of the White House on the first day of her farewell visit to the President. She will have direct talks with President-elect George Bush this morning.

On what was very much a state occasion, there were two military bands, including a fife and drum ensemble dressed in the style of the American war of independence.

In their formal addresses, both leaders referred to crises affecting their countries and the West when they came to power. But the President claimed that "in meeting those dangers we have transformed this decade into a turning point, for our age and for all time." He talked of "an almost Newtonian revolution in the science of economics towards less government and more freedom for the entrepreneur and the creativity of the individual."

In response, Mrs Thatcher praised Mr Reagan for having "restored faith in the American dream. We counted it a privilege to join you in enlarging freedom and furthering the democratic way of life." Quoting Tom Paine, the 18th century revolutionary, she said the President had "enabled us to begin the world over again."

The extravagance of the language and the fulsomeness of the welcome are significant in indicating how warmly Mrs Thatcher is regarded by Mr Reagan. This has given her special access to, and influence over the President.

Informally, in the Oval Office before an hour-long meeting, Mrs Thatcher and Mr Reagan talked – the President almost hoarsely – of their mixed feelings at parting and of their long friendship going back to the mid-1970s.

During the meeting, which appears to have been dominated by Mrs Thatcher, both leaders expressed optimism about the current international scene.

Mrs Thatcher stressed British and European concern that a greater focus should be given to Middle Eastern problems. In contrast with general scepticism expressed by the US State Department about this week's declaration of independence by the Palestine National Council, Mrs Thatcher said there was "something to build on."

Similar outlook: Mrs Margaret Thatcher of Britain and US President Ronald Reagan in Washington yesterday

London and Bonn split on Soviet policies

David Marsh and David Goodhart examine the tensions which are eroding relations

STRAINS are building up between the British and West German governments over several issues connected with policies towards the Soviet Union.

British officials are trying to play down the disagreements, describing them as differences over political methods chosen to meet East-West objectives, rather than problems concerning the goals themselves.

Officials at the Bonn Foreign Ministry, however, are more forthright over the tensions with London. A senior Foreign Ministry official has said that relations with the UK are at their lowest ebb for many years.

West German officials refer, above all, to Britain's opposition to a human rights conference in Moscow in 1991. Bonn supports the conference proposal and believes it has been brought a step nearer reality by Soviet pledges on releasing political prisoners, given – although in ambiguous form – to Chancellor Helmut Kohl during his Moscow trip last month.

Mrs Margaret Thatcher, Britain's Prime Minister, is taking the hardest line of any West European country by rejecting any conference until Moscow drastically improves its human rights record.

Bonn also criticises Britain's support for US plans to station in the Federal Republic new short-range nuclear weapons in the mid-1990s to replace the elderly Lance missiles.

In his strongest statement to date on the issue, Mr Hans-Dietrich Genscher, the Foreign Minister, last week attacked Nato plans to find "compensation" for medium-range missiles being dismantled under the US-Soviet agreement, saying the proposals could lead to a new arms race in the 1990s.

While pressure is building in the US for a basic industrial decision to be taken next year on building the weapons to succeed the Lance missiles, Britain is publicly taking a cautious line on the issue. However, although UK officials say a decision on deployment would not be made if it was certain to be turned down by Bonn, there is no doubt that Britain sides with the US over the matter.

Among other issues straining relations have been statements from Mr Rupert Scholz, the West German Defence Minister, indicating compliance from the Royal Air Force in reducing the number of low-level military flying exercises over the Federal Republic.

The exercises have met increased public opposition in West Germany and although Britain is co-operating on studying ways of reducing the problems, officials say that RAF flying has already been cut to a minimum and further reductions would endanger defence readiness.

Another irritant concerns recent statements from Mrs Thatcher which have expressed reservations about the move towards European integration. These have prompted diplomatically worded public rebuffs from both Mr Kohl and President Richard von Weizsaecker.

The problems in relations between London and Bonn stand in contrast to regular displays of closeness between the French and West German governments.

Britain and the Federal Republic have abandoned regular six-monthly "summit" consultations because Mrs Thatcher prefers to concentrate on unceremonious working exchanges with Mr Kohl. By contrast, Paris and Bonn are reaping publicity for their close ties through regular summits and a battery of bilateral consultative bodies.

A Franco-German summit in Bonn earlier this month enabled the two sides to demonstrate apparent consensus on policies towards Moscow ahead of Mr Mitterrand's Soviet trip later this month.

According to one senior British official: "More and more, the Franco-German motor is presented as pulling the West European train. Now they are getting this into East-West relations too."

The public image of disagreements between Bonn and London has been strengthened by a strong West German belief that Mrs Thatcher criticised a DM3bn ($1.72bn) West German bank credit to Moscow in a telephone call to Mr Kohl last month. British officials say the credit did not come up in the conversation, which arose from a call by Mr Kohl to Mrs Thatcher, not the other way around.

But the very fact that West German newspaper reports of discord were widely believed by senior Bonn officals illustrates how the East-West policy gap between the two leaders is perceived to be growing.

Key revision planned for UK investor protection

By David Lascelles in London

LORD YOUNG, British Trade Secretary, yesterday announced plans to soften a key provision of the Financial Services Act, the two-year-old cornerstone of UK investor protection legislation.

His announcement coincided with the release by the Securities and Investments Board, London's main regulatory body, of proposals for a new "user friendly" rule book.

The two developments mark the first major rethink given by the UK authorities to investment regulation since deregulation in 1986.

Lord Young intends to amend Section 62 of the FSA which gives investors the right to sue practitioners who breach the rule book. The section has been widely criticised in London's financial sector.

The amendment will remove the right to sue from practitioners and professionals, but preserve it for individuals.

Although the SIB regulates only 100 financial institutions, its new approach is expected to lead to similar changes in the rule books of the Self-Regulatory Organisations (SROs) who look after the bulk of the UK investment services industry.

Mr Stanislas Yassukovich, chairman of The Securities Association, largest of the SROs, said: "This is an evolution for which TSA has pressed hard, and it will assist us in the review on which we are already engaged."

The full document of proposals will be issued in February

SIB rulebook, Page 11

US merchandise trade deficit drops to $10.5bn in September

By Anthony Harris in Washington

THE US merchandise trade deficit narrowed to a seasonally adjusted $10.5bn in September from a revised $12.3bn in August, the Commerce Department said yesterday.

Imports fell by $1.1bn to $38.7bn while exports rose $800m to a record $28.2bn, led by manufactures.

The dollar weakened on the news, but was taken much lower after Mr Alan Greenspan, chairman of the US Federal Reserve Board, the US central bank, warned that the foreign capital inflows which finance the current account deficit "might dry up" and called for a cut in the US budget deficit.

Mr William Verity, the Commerce Secretary, claimed that the trade figures showed improving US competitiveness. He pointed out that in the first nine months of 1988 exports had risen 29 per cent from the same period in 1988, while imports had risen only 9 per cent. He forecast that the deficit for the year would be $135bn, against $170bn in 1987.

The rise in exports, following a $1bn improvement in August, should reduce fears that the strong upward trend in exports in the first quarter of the year has petered out: there was virtually no upward trend between March and July. This flat trend has led to widespread forecasts that only a further dollar devaluation could restore export growth.

However, reports from industry have shown that export demand has remained on a rising trend, although less strong than in the earlier months of the year.

While imports in most categories were down between August and September, shipments of cars and parts reached a new record of $8bn, following a period of four months in which shipment were below their 1987 level.

This suggests that the excessive inventories which were run up at the end of last year have now been reduced to normal levels. Analysts have for some time feared that imports would rise strongly after an inventory induced pause, and recent reports from major retailers and from shippers suggest that inventories in most consumer goods are now tight.

Airbus talks face hard choice

By Guy de Jonquieres, International Business Editor, in London

DIFFICULT talks over the choice of new senior management for the European Airbus programme are expected when ministers from the four countries involved in the venture meet today in London.

The appointments are vital to plans for extensive restructuring of the loss-making programme by the end of this year. However, decisions may be complicated by a struggle between governments over political patronage.

West Germany and France, the two biggest shareholders in Airbus, are believed ready in principle to support each other's claims on the two top jobs, respectively chairman of the supervisory board and managing director.

Britain hopes to secure the newly created post of finance director and is proposing Mr Robert Smith, finance director of British Aerospace's Royal Ordnance subsidiary, for the job. However, Paris and Bonn are also claiming the position for themselves.

Political uncertainties in Bonn have increased the risk that today's talks may prove inconclusive. The meeting, already twice postponed, will be chaired by Lord Young, Britain's Trade and Industry Secretary.

West Germany has yet to name its candidates for the Airbus posts and it is feared that Mr Erich Riedl, its state secretary for economics, may be unable to commit himself to firm decisions at the meeting.

Mr Riedl's future is in question since the death last month of his political sponsor, Mr Franz-Josef Strauss, the Bavarian Prime Minister and long-serving chairman of the Airbus supervisory board.

The imminent arrival of Mr Helmut Haussmann as West German Economics Minister creates further uncertainties. Mr Haussmann is keen to apply free market principles to Airbus and his party, the Free Democrats, have criticised Mr Riedl's recent handling of the programme.

Airbus is a consortium in which Aérospatiale of France and Deutsche Airbus, a subsidiary of MBB of West Germany, each have a 37.9 per cent stake, British Aerospace 20 per cent and Casa of Spain 4.2 per cent. Chief executives of the companies will also attend today's meeting.

France is nominating Mr Jean Pierson, president of the Airbus consortium, as managing director. Mr Hanns-Arndt Vogels, chairman of MBB, has been mentioned as a candidate to succeed Mr Strauss as chairman of the supervisory board.

Mr Vogels would be likely to enjoy French support. But his chances may have suffered since he was recently passed over as head of the newly formed aerospace division of Daimler-Benz, the motor group which is due to take effective control of MBB.

Mr Hans Fridrichs, a German banker and former economics minister, is one of several other possible candidates being mentioned.

Airbus's government sponsors want to reorganise the programme which has suffered mounting losses because of the weakness of the dollar, the currency in which aircraft sales are priced. Last summer, they endorsed an independent report recommending a radical shake-up of its management.

Crunch time for Airbus ministers, Page 2

Shamir seeks coalition with Labour

Continued from Page 1

the permanent status of the occupied territories had to be resolved by negotiations. "We have abstained from annexation or similar steps. We are faithful to our obligations and we are ready to have negotiations," he said, adding that the new government would take no unilateral steps towards changing the status of the occupied territories.

Separately, the Israeli Prime Minister welcomed Washington's rejection of the Palestine Liberation Organisation's independence declaration at this week's Algiers meeting of the Palestine National Council. "I am glad the Americans rejected the declaration," he said. "We do not see any new positions in these declarations. We had not expected any new positions because we know these people.

"They are our most extreme enemies. They will never change their position. . . they are ready to make any promise whatever the Western world likes to hear. After they get something, they will forget about it. It's clear to us what they really want is our disappearance."

Insisting that the established programme of Jewish settlements in the occupied territories would continue, he said that he did not see this as an obstacle to peace. "I know the American position is that it is an obstacle to peace. I don't accept it. . . it is nothing to do with the political solution. Everybody accepts that we have the right to live everywhere in this country."

Asked how he would act to put down the Palestinian uprising, he said he would continue on the same lines as the previous government, but act "more energetically."

The Prime Minister, who currently heads a caretaker government, said the uprising was another form of the Arab struggle against Israel's existence. The Israeli people are used to such experiences, he said, it is part of our history.

On forming a new government, Mr Shamir acknowledged that concessions would have to be made in order to form another broad-based national unity coalition, similar to the one which has ruled Israel since 1984. He thought there was sufficient support among the parties to achieve such an aim. Labour yesterday opposed the conditions offered by Likud negotiators. However, Labour made clear that negotiations had only just begun.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	10	50	Malta	S	16	61	Rhodes	F	15	59
Algiers	C	20	68	Edinburgh	C	09	48	Manchester	C	08	46	Rio de J'o	C	31	88
Amsterdam	F	07	45	Faro	S	20	68	Manila	F	33	91	Rome	F	19	66
Athens	C	08	46	Florence	S	14	57	Melbourne	C	13	55	Salzburg	C	07	45
Bahrain	F	21	70	Frankfurt	C	13	55	Mexico City	F	25	77	San Francisco	C	16	61
Bangkok	F	32	90	Funchal	S	21	70	Miami	C	26	79	Seoul	F	08	46
Barcelona	F	16	61	Geneva	F	10	50	Milan	C	07	45	Singapore	R	31	88
Beirut	-	—	—	Gibraltar	C	18	64	Montreal	C	08	46	Stockholm	C	09	48
Belfast	C	11	52	Glasgow	C	10	50	Moscow	C	00	32	Strasbourg	F	12	54
Belgrade	S	05	41	Guernsey	S	11	52	Munich	C	07	45	Sydney	R	13	55
Berlin	C	10	50	Helsinki	C	04	39	Nairobi	F	25	77	Taipei	R	22	72
Biarritz	S	15	59	H. Kong	C	23	73	Naples	S	13	55	Tangier	S	21	70
Bombay	S	32	90	Innsbruck	F	09	48	Nassau	F	29	84	Tel Aviv	S	20	68
Bordeaux	S	13	55	Inverness	S	10	50	New Delhi	F	29	85	Tenerife	S	23	73
Brussels	C	09	48	Islamabad	F	27	81	New York	R	15	59	Tokyo	F	17	63
Budapest	C	04	39	Istanbul	F	09	48	Nice	S	19	66	Toronto	C	07	45
B Aires	F	26	79	Jakarta	R	31	88	Nicosia	R	20	68	Tunis	F	19	66
Cairo	S	21	70	Jersey	S	11	52	Oporto	S	18	64	Valencia	F	18	64
Cape Town	-	—	—	Jo'burg	C	29	84	Oslo	C	01	34	Venice	F	09	48
Caracas	F	26	79	Lima	C	21	70	Paris	F	12	54	Vienna	C	05	41
Casablanca	C	21	70	Lisbon	F	20	68	Peking	S	10	50	Warsaw	C	05	41
Chicago	C	11	52	London	F	12	54	Prague	R	06	43	Washington	R	10	50
Cologne	C	11	52	Los Angeles	C	19	66	Reykjavik	S	-4	25	Zurich	C	08	46
Copenhagen	C	08	46	Luxembourg	C	07	45								
Corfu	S	14	57	Madrid	S	14	57								
Dallas	F	06	43	Majorca	S	20	68								
Dublin	S	12	54	Malaga	F	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

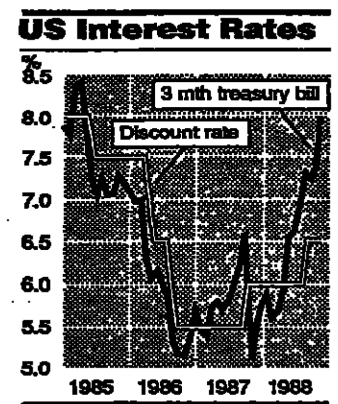
THE LEX COLUMN

Ganging up in the name of Europe

The one thing the market had clear about Plessey yesterday was that if GEC and Siemens are allowed to go ahead, they will swallow their victim at a gulp. But the bid comes at a ticklish time for both UK and European merger policy. It can be assumed that Siemens would not have committed itself without some assurance from GEC that it would not end up with British egg on its face, and vice versa. But the relevant authorities – the Ministries of Defence and competition offices in both the UK and West Germany – can be squared in advance only up to a point. It is even conceivable that Brussels could intervene, as it did with the consortium bid for Irish Distillers, on the grounds that in bidding for Plessey, Siemens and GEC should compete rather than collude.

The GEC/Siemens tactic on this seems to be to challenge the national authorities in terms of their commitment to 1992. Perhaps for this reason, the operational details of the proposed venture are wrapped in a kind of Euro-fog. The broad idea seems to be that GEC gets access to the West German defence market, while Siemens extends its penetration of the telecoms market in the UK and, to an extent, in the US. In both fields, and in components, the partnership is to constitute a force which can stand Europe's corner in the 1990s. There is a hint that further convergence is possible – in medical electronics or power generation, say – and the obvious possibility that at some future date Siemens could swallow up GEC entirely.

Meanwhile, Plessey is sitting just 1p below the 225p offer price. Judging how far Lord Weinstock's wallet can be prised open is all the harder for not knowing how much GEC ends up paying (less than half, certainly), or how the balance sheet is affected; if Plessey is booked at cost as an associate, goodwill of well over £1bn vanishes into thin air. But the market will have plenty of time to reflect on these things; the mills of bureaucracy will doubtless grind exceeding slow on this one.



Markets

There were any number of reasons for the unhappiness in the US financial markets yesterday, but it would be wrong to blame the September trade figures. While the trade gap remains very wide, US export performance is surprisingly robust; and there is no obvious evidence to suggest that a further sharp depreciation in the dollar would help restore the balance. It was Mr Alan Greenspan's rather hawkish comments yesterday on the intractable problems of the US budget deficit, and the increase in the US figures for capacity utilisation, which really spooked the markets. The only consolation for London was that it demonstrated for once that it could move in a different direction to Wall Street, but even so it remains a struggle.

Until Mr Bush moves into the White House in January, the financial markets will be looking to the Federal Reserve to fill the perceived policy vacuum in Washington; and while international attention may be focussed on the recent sharp drop in the dollar, any tightening by the Fed will almost certainly reflect domestic considerations primarily. The economy is not growing fast enough to solve the budget deficit problem, yet is growing too fast for comfort on the inflationary front.

The market has concluded that short-term US interest rates at least can only move higher. Three month eurodollar rates have jumped by half a point in little over a week; and with three month US Treasury bills yielding over 8 per cent, the spread over the US discount rate is getting uncomfortably wide. This may not be good news for the US economy, but it should help the dollar.

SIB rulebook

Market practitioners can be forgiven for arguing that post-1992 investment business will gravitate towards the market with the lowest level of regulation: 1992 is, after all, as good an excuse as any to seek an easier regulatory burden for the next decade. Yesterday's new SIB rulebook should indeed help London fight the regulatory wars of the single European future. The document is less than half the size of its predecessor, and the fact that it does not take 14 readings to comprehend must do its bit to dispel London's image as a market obsessed with small print.

Whether the pitch of the regulatory playing field is really the most important factor determining where business is done is a moot point. Taxes, communications, the general investment culture of a place could count as much as the sheer level of regulation in determining the attractiveness of any particular financial centre. But if the SROs do indeed take their cue from the SIB, and tilt their rulebooks towards general principles and away from minutiae, that cannot but make London look a more appealing place to do business. Whether it will substantially reduce the burden of cost is another matter: a rule may be more general without necessarily being less costly to comply with, or indeed to enforce. And newcomers may well think much less of a system of discretionary rule from the regulators than some of their better-connected rivals on the inside.

Cable and Wireless

The City has high hopes of Cable and Wireless and its aggressive new offspring, Mercury, which aims to make its fortune by attacking the soft underbelly of the bureaucratic British Telecom. However, if Mercury does not start to deliver soon on the growth forecasts, the City is going to get impatient. A £4m trading profit on first half revenues of £48m is a start, but if Mercury is to earn the £80m plus by 1989/90 which some brokers are expecting, it will have to get a move on. It is all very well threatening to sue BT if the latter's interconnect service does not improve, but this is not the sort of policy which is likely to lead to dramatic improvements in market penetration.

A 20 per cent rise in C and W's first half profits to £198m demonstrates the company's undoubted skills at improving margins, but even allowing for currency movements, a 9 per cent rise in revenues to £509m is pedestrian for what is supposed to be a growth company. Despite C and W's denials, the acquisition of Telephone Rentals looks essential if Mercury's growth is really to take off.

ACCOUNTANCY COLUMN

Cork opens up but keeps the best bits bottled in

By Richard Lambert

WHAT does it take to become Britain's best known accountant, Lord Mayor of London, and chairman of any number of important committees and quangos? To judge by the autobiography of Sir Kenneth Cork, who achieved all these positions, three main qualities are required.

They are a high degree of unquestioning self confidence; a dogged kind of common sense; and an iron digestive system.

The first of the three is what enables you to stand up in front of an angry and suspicious workforce and explain the implications of insolvency, or to threaten to summon the Governor of the Bank of England for refusing to co-operate with a trustee in bankruptcy. It's what makes you certain that your Way is the best Way (Sir Kenneth usually spells it with a capital W), and gives you what it takes to cope with the City establishment without any agonising self doubts: "The system for electing Lord Mayors is obviously illogical and open to attack, but it works. No other method would keep undesirable people out."

Common sense seems to have been the quality on which Cork Gully built its very substantial insolvency practice. The firm's theme, which it developed with increasing success from the late 1950s, was that receivership need not necessarily lead to closure. Being a receiver involved a much wider responsibility than just satisfying the debenture holder by a quick sale of assets, followed by a hasty retreat.

As often as not, Cork was able to show that creditors lost money through a quick shutdown, and since one in four of them were likely to be customers of the lending bank, everyone lost out that way.

The key was to separate the company, which had destroyed itself, from the business which could be capable of sustaining a healthy life under different ownership. This was the basis for the reform of the insolvency laws in 1985, and although Sir Kenneth is obviously irritated at the Government's failure to take up the full message of the Cork Committee – on which the reform was based – the new system does make it more likely that a viable business can remain in being.

But common sense is not enough to build a successful insolvency practice: you also have to be dogged. You must not be overawed by a smooth talker like John DeLorean, or be put off by unflinching Swiss ladies who refuse to help you in your quest for the famous lump of DeLorean money which went "walkabout" when the company hit trouble.

In the words of a fraud squad officer who once explained to me the secret of his trade: "You've just got to keep following the money."

As for digestive skills, they are an essential requirement on the road to the Mansion House. Sir Kenneth tells us of endless livery dinners, of wool-textured chicken at the Savoy, of cold salmon for breakfast on a British Airways flight to Frankfurt . . . Yes, it's true! As he confided to his diary: "Really! We are out of our minds! Breakfast is the best meal we serve on a British aeroplane, and who the hell wants to eat fresh salmon at *that* time in the morning?"

Disappointingly, that is about as far as the book goes in terms of revelations. You might have thought that someone who had to pick up the pieces after the likes of John Bloom, Emil Savundra and John DeLorean would have something to offer in the kiss-and-tell department. But no. Instead, we have to make do with shrewd one-liners and the occasional revealing anecdote about some of the people with whom he dealt.

Thus Tom Whyte, of the late Triumph Investment Trust, was late for lunch in Cannes because, he said, his yacht had run into heavy weather. Sir Kenneth tells us that he later discovered "it was only a small open motor-boat, which gives some idea of the kind of people we were involved with!"

Harold Wilson was "extremely honest and extremely naive. The difficulty was that if you were a friend he believed anything you said." Willi Stern "was convinced he was a genius whose Flair for Finance would never let him down. Moreover he successfully convinced others to share that opinion." John Bloom was not "a particularly attractive character, but with all the bad advice he had to suffer and his inability to see it as such I could not but have a certain sympathy for him – which was far from the case with Emil Savundra."

So there are some light moments. Overall, though, the book is a little too like one of those grand City dinners: lots of it, and rather heavy going.

"Cork on Cork" by Sir Kenneth Cork. 265 pages. Macmillan £15.95.

Government adviser promises fair play

BEING responsible for dispensing large chunks of valuable government advisory work is a difficult job. Those who believe they not getting their fair share are apt to grumble, writes Richard Waters.

It should be with some trepidation, then, that Mr Alan Hardcastle, a senior partner at Peat Marwick McLintock, takes on the job of the Government's top accountant at the start of next year. His duties will include sitting on panels which choose privatisation advisers, as well as overseeing the way accountants and others are hired to advise on government initiatives.

A hint of the sort of reception he will receive comes from the reaction to his predecessor, Mr Tony (now Sir Anthony) Wilson, a former senior partner of Price Waterhouse. Recent years have brought almost ceaseless moaning from other firms who point out that Price Waterhouse has had an inordinately large slice of the privatisation pie. Could this be entirely fair, given Sir Anthony's role in the selection process, they ask?

The reality is less sinister. Price Waterhouse established an early lead in privatisation work and further assignments followed. The Catch 22 of professional work – you don't get a job unless you have experience, but you don't get experience until you get a job – has worked in the firm's favour.

Nevertheless, 55-year-old Mr Hardcastle will feel obliged to be scrupulously fair, though his natural talent for diplomacy will see him through difficult issues. As a consummate City insider – president of the Institute of Chartered Accountants in England and Wales from 1983-85, member of the Bank of England's board of banking supervision and member of the Council of Lloyd's – he has developed a style which many politicians would envy.

His answer to a difficult question is invariably a deep suck on his pipe or a disarming chuckle. He appears unflappable. For these skills and his accounting and financial knowledge the Treasury will pay him £100,000 a year, nearly 25 per cent more than the head of the home Civil Service.

Overseeing the hiring of the Government's professional advisers may come to be seen as one of his less arduous jobs. Mr Hardcastle's brief, as accountancy adviser to the Treasury, will involve him in advising on financial management in government, the way the Government reports its figures to the world, and the improvement of internal audit.

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It is therefore preferable that applicants are professionally qualified and have well rounded computer skills. Additionally, excellent communication ability is required to represent the function to senior and external officers of the Fund.

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People talk of "fast-moving" environments; well few markets are moving faster than mobile communications.

We're right in the front-line of this phenomenal growth with innovative products that are setting the pace for the 1990's. It is imperative that the sales operation has equally dynamic management support, and this appointment, which reports to the Finance Controller-Sales, is crucial to that commitment.

We're looking for a commercially shrewd, qualified Management Accountant (ideally ACMA) whose role will encompass a range of reporting and advisory activities, *particularly on cost-effectiveness of the Sales Operation and how best to achieve planned performance.*

You'll also organise and specify management information systems and undertake a wide variety of ad hoc investigative projects, deputising for the Finance Controller in his absence. The ideal backgound for this challenge would be in a sizeable FMCG company. You'll be expected to make a meaningful contribution from Day One, so your ability to grasp the overall picture quickly and gain the respect of your peers is essential. You'll need to be computer literate with hands-on experience of PC packages (here we use LOTUS/SMART software).

We have an additional vacancy for an assistant who will report directly to this Management Accountant.

You could play a key part in this market. Please write to Tim Hayes with your CV (including daytime tel. no.) at: BT Mobile Communications, Human Resources Department, 3rd Floor Tower, Mobile House, Euston Square, London NW1 2DW. Quote ref FT95.

British Telecom is an equal opportunities employer. Applications are invited from suitably qualified individuals irrespective of sex, racial origin or disability.

British TELECOM

FINANCE DIRECTOR

High profile FMCG company — c.£35,000 + car

This household name public group successfully manages a series of brand leaders in competitive markets. It has a reputation for stylish, innovative advertising and effective new product launches. The group has a history of growth and currently employs about 1,500 people in an attractive rural location towards the west of England.

The Finance Director will join a close-knit management team with responsibility for the profits and capital employed of a business unit with a turnover in excess of £100m and assets around £60m. Supporting the Managing Director and working closely with the Group Finance Director, the person appointed will be responsible for the effective financial management of the unit, leading a small team which monitors and analyses performance. The emphasis is on active participation in commercial decisions, particularly by highlighting the financial implications of alternative options.

The successful candidate will be a qualified accountant, probably aged in his or her early thirties. You will already have a taste for working closely with other commercial functions, preferably in an FMCG environment. Opportunities for longer term career development within the group will be available for individuals who combine professionalism, good communication skills and a track record of progression.

Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. L377, at:

Egor International Ltd., Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

EGOR EXECUTIVE SELECTION

Great Britain · Belgium · France · Germany · Italy · Portugal · Spain

Financial Director

...with contract costing experience

c£30,000 + car — Surrey

Our client, part of a UK market leading specialist electronics group, is a rapidly growing supplier of major systems. With turnover currently around £10m, the company's order book is healthy and provides a solid platform for further expansion.

The appointment of a high calibre Financial Director is seen as key to the future development of the business.

Candidates will be qualified accountants, probably in their thirties, with a track-record of success in line financial management and direct experience of contract costing. A strong personality and the ability to work at all levels will be essential requirements.

Please write, in confidence, to Nigel Bates FCA, ref. B.34038.

MSL International

MSL International (UK) Ltd,
32 Aybrook Street, London W1M 3JL.
Offices in Europe, the Americas, Australasia and Asia Pacific.

APPOINTMENTS ADVERTISING

For further information call 01-248 8000

Candida Raymond ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Group Financial Controller

London SW1 — to £30,000 + car + benefits

Our client is a highly profitable and expanding Property Development Group, recently quoted on the USM, with an interesting range of commercial subsidiaries situated throughout the UK. In view of their recent expansion and predicted growth, they have identified the need for an experienced and committed accountant to provide an efficient and unified group accounting system and to assist with the Group's acquisitive growth.

Reporting directly to the Financial Director, the successful candidate will be responsible for the development and control of the Group's accounting functions. They will also play an active role in investigations into prospective acquisitions and the Group's strategic planning.

Candidates will be qualified accountants with at least two years in a fast moving acquisitive environment. They should be ambitious and commercially aware with experience of the City and financial institutions. Ideally candidates should be aged 26-32.

Interested candidates, who meet these criteria should send a full CV including current salary and daytime telephone number to Carol Jardine, quoting reference LM988; Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCE DIRECTOR

DISTRIBUTION PLC

S.W. London package from £60,000

Our client is one of the fastest growing UK plc's involved in wholesale distribution in a dynamic business sector.

A finance director is required who, as part of a highly commercial management team, will, in addition to taking full control of all aspects of the finance function, provide the board with the information and guidance needed to maintain the present growth pattern.

Candidates must be chartered accountants, probably aged over 35 with a track record which demonstrates the ability to provide wide ranging financial and commercial management support to an aggressively expanding trading business.

Please send brief personal and career details, in confidence, to Douglas G Mizon, quoting reference F/759/M.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU

CORPORATE FINANCE
£35,000
CENTRAL LONDON

Our client, a leading medium sized firm of Chartered Accountants, wish to strengthen its Corporate Finance division. Candidates will be qualified Accountants, 27-40, rounded individuals, intellectually capable with developed communication skills. Probable background would include Chartered Accountants "Big 8" trained with special Project/Corporate Finance experience or either qualified Accountants with project appraisal experience gained in a blue chip environment.

Please send a detailed CV to: David Paton, Executive Search Division, Hynes Associates, Wells House, 77-79 Wells Street, London W1 Tel: 01-580 3522

INTERNAL AUDITOR
CAPITAL MARKETS
£32,000 + BENEFITS

Our clients, a leading European Bank, have an opening for a qualified, energetic accountant to head up their expanding Capital Markets Audit department. You will already be working within the audit function of an International Bank and have a minimum of three years Capital Markets experience.

Send full CV to: Michael Price, Executive Search Division, Hynes Associates, Wells House, 77-79 Wells Street, London W1 Tel: 01-580 5522 Fax: 01-323 1107

KENTISH
KENTISH PROPERTY GROUP PLC

FINANCIAL CONTROLLER

Entrepreneurial, Marketing led Property Group

Herts to £35,000 + benefits

Kentish Property Group plc may be considered small in Stock Exchange terms but the Group has achieved phenomenal growth in profits and numbers in the last few years. Kentish has a reputation for employing innovative approaches in the creation of outstanding developments and in marketing its activities. Nothing is "standard."

Sound financial controls have been a key element in the Kentish success story. The Group now wishes to recruit a young, ambitious financial controller to strengthen its financial team and assume responsibility for all aspects of accounting and financial management, with considerable emphasis on budgeting, cash flow and the provision of accurate management information. An up-to-date and thorough understanding of current accounting packages is essential. A knowledge of property development accounting would be advantageous.

The Kentish management is an extremely professional close-knit team. Applicants should be graduate accountants, with excellent communication skills, commercial awareness and a mature and positive approach. The Group offers excellent opportunities for personal development and would like to have someone join who seeks to make a long term contribution to the Group's success.

Please write, in confidence, enclosing full career details, to Anne Routledge, quoting reference K3557.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

Company Secretary

£25,000 – £30,000 plus car and benefits

Our client is a privately owned industrial group based in Essex. They are a £2.5 million turnover company with a strong market share in their principal area of activity.

They are seeking a young and enthusiastic qualified accountant to take over the financial controls and secretarial functions. The role will involve producing full monthly and quarterly results, budgetary control, cash flow forecasting, costing systems, credit control and the administration of the pension scheme and all insurance matters. Involvement in the selection and implementation of additional computer systems may also be necessary.

The role requires an imaginative and organised person with a flexible approach who would like to grow into a more strategic role as the company expands. The ideal candidate will come from a manufacturing background and enjoy a hands on position.

In return for commitment and energy the company is offering a good salary package with a car, BUPA and generous pension arrangements.

Please write in confidence, quoting reference number SHA.1209 to Kelly Iriondo at the address below.

Stoy Hayward Associates
MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
A member of Horwath & Horwath International

Jonathan Wren Accountancy

ASSISTANT FINANCIAL CONTROLLER **£25,000**
A property/construction company in the West End requires an ACA with one year's experience in industry. The successful applicant will become involved in the flotation of this subsidiary company.

CHIEF ACCOUNTANT **£24,000**
An opportunity has arisen for a young qualified ACA/ACCA to join a hi-tech company based in the centre of the West End. The appointee will have a 'shirt sleeves' approach and will assume full responsibility for the setting up of all financial controls and procedures for the finance department, to include systems development.

FINANCIAL CONTROLLER **c£22,000**
A qualified accountant with five years' junior management experience is currently sought by our client. The successful candidate will act as advisor on the financial intepretation of operational matters and ensure that both company and group policies are adhered to. Other areas of responsibility will include the introduction of new computer and clerical systems.

MANAGEMENT ACCOUNTANT **£20,000**
An international communications group seeks a finalist to assume the role of Management Accountant. Duties will include budgetary control, cashflow projections, inflation accounting, variance analysis etc.

Contact Helen Clements on 01-489 8824.

Jonathan Wren Accountancy
Recruitment Consultants
First Floor, 11 Ludgate Circus, London EC4M 7LQ.
Tel: 01-489 8824. Fax: 01-489 9386

FINANCE MANAGER — INTERNATIONAL ENVIRONMENT

M40/A40 Corridor **£27,500+ Plus Car**

Recent promotions and organisation developments have resulted in this relatively rare international Finance role becoming available. As part of a truly cosmopolitan team at the International Headquarters for this major division of a Multi-billion $ turnover US Multi-national, the responsibilities of this position will include:

- Capital investment appraisal throughout the subsidiaries in Europe, Canada, the Far East and Australasia — this will be significant due to the current rapid growth
- Control of and reporting on the Assets, Inventory and Receivables
- Responsibility for recommending courses of action in such areas as Divisional Planning, Export Credit, Tax and Treasury.

It is envisaged that the successful candidate will develop in this role prior to undertaking the next opportunity within the Group. In order to take advantage of this situation the successful candidate (who will be a young Accountant) must clearly demonstrate the following:

- An affinity with the international environment and the ability to relate to overseas management
- Ambition, enthusiasm and creativity with the ability to think laterally in the resolution of issues.

Applications are invited from individuals currently living in the UK or overseas, who are actively looking to join a highly regarded international group.

The remuneration package is negotiable for the right individual and will include a generous relocation package either within or to the UK.

If you are interested to discuss the situation further please contact Karen D Wilson BA ACMA on 01-491 3431 or write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.

FMS
Search and Selection Specialists
for
Financial Management

GROUP MANAGEMENT ACCOUNTANT

Property **c£28,000 plus car**

Our client is one of the country's best known quoted property development companies which has expanded considerably both in the UK and internationally over recent years. The latest results show profits more than doubling over the past twelve months.

In reorganisation, an ambitious, young financial executive is required to take responsibility for the management accounting function, reporting to the Group Finance Director. Important tasks will include management reporting, cost control analysis, budgeting and forecasting.

Candidates, male or female and aged probably 27-35, are to be qualified accountants ideally with a background in property. Alternatively, this attractive opportunity could be appropriate for someone from any service industry environment involving contracts work, as well as for someone seeking a career move from the profession.

The remuneration package includes a salary in the region of £28,000, fully expensed executive car and other benefits associated with a major group. Location; West End of London.

Please reply in confidence to Michael Hann, Bull Thompson & Associates Ltd., 63 St. Martin's Lane, London WC2N 4JX, quoting reference 1514.

Bull Thompson
CORPORATE AND RECRUITMENT CONSULTANTS

SOUTH WEST LONDON

Newly qualified Accountant required as deputy to Financial Director of dynamic asset based private group of companies. Suit 25-28 year old. Attractive package for right candidate.

Send c.v. applying to: Box A1080, Financial Times, 10 Cannon Street, London EC4P 4BY

Lloyds Bank

MANAGER, SYSTEMS DEVELOPMENT

BRISTOL **£20-25,000 Package**

The financial control division of UK retail banking, currently located in London, will be relocating to Bristol within the next 12 months. They are now seeking to recruit an additional member for their systems development team who will be involved in the development of mainframe accounting systems.

The role will also involve liaising with operating and support groups, co-ordinating policy, and advising senior management.

The successful candidate will be a qualified accountant with considerable exposure to mainframe accounting systems.

For further information contact Accountancy Personnel, 36 King Street, Bristol BS1 4DZ. Tel. 0272 298911

CONFIDENTIAL

NEWLY QUALIFIED

NORTH YORKSHIRE **c£23,000**

Our client, a blue chip company and renowned market leader, is seeking to strengthen its accounting function by the appointment of a high calibre ACA to their Business Analyst Department. Actively involved across the entire accounting function this position represents an ideal move for a newly/recently qualified Accountant seeking their first industrial position. Offering a first rate benefits package, excellent career prospects and the general quality of life associated with living in one of the most beautiful parts of the UK this is an opportunity not to be missed.

For further information contact Accountancy Personnel, 9 East Parade, Leeds LS1 2AL. Tel: 0532 438384

Kleinwort Benson Limited
A MEMBER OF TSA AND OF THE AIBD

TEMPORARY FINANCIAL ACCOUNTANT

WEST BERKSHIRE **£Negotiable**

We are looking for a part qualified accountant to assist in the production of financial information as required by a leading merchant bank.

Prospective candidates should have attained at least ACCA Part II together with 3 years experience plus a knowledge of computerised accounting systems.

This is an immediate vacancy to work until the end of January 1989.

For further information contact Accountancy Personnel, 2nd Floor, Brook House, 60-62 Northbrook Street, Newbury RG13 1AH. Tel: 0635 525626

Accountancy Personnel
Placing Accountants First
Hays

MANAGEMENT ACCOUNTANT

Peterborough **c£25,000+car**

We're the World's leading Retailer of Travel and Foreign Exchange, and the second largest issuer of Travellers Cheques. The Management Accountant for our wholesale Banknote Division is responsible for the planning, monitoring and control of business performance for all our international operations.

Probably aged 25 to 30 you'll have extensive Micro-Lotus experience particularly within the local area network field. Involvement in the management of a relocation project, from a financial perspective would be desirable. Cash flow analysis and budget forecasting experience is essential as is a minimum of 3 years P.Q.E.

Rewards are excellent including a salary of c£25,000+car, a wide range of benefits and tremendous opportunities for career progression. We will also provide generous relocation expenses where appropriate.

If this role is the right one for you and you are an assertive articulate person who can gain the respect of front line Dealers then please write to me with a full C.V.

W. J. Bennison, Manager—Human Resources,
The Thomas Cook Group Ltd.,
P.O. Box 36, Thorpe Wood,
Peterborough PE3 6SB.

An equal opportunities employer.

Thomas Cook

EUROPEAN FINANCIAL CONTROLLER

to £25k + car + benefits Uxbridge area

Dataquest, a division of the Dun & Bradstreet Corporation, the world's largest business information company, provides product and market analyses to the high technology industry worldwide. Dataquest has constantly broken new ground in its research and service to the European market. As a result of our business growth, not only are we moving to new premises in 1989, we have also identified this new career opportunity.

As controller you will report to the Managing Director – Europe, and will assume responsibility for the accounting and financial management of the company's European operations. You will be involved in the design and implementation of reporting, cost and control systems, in addition to liaising with the management team in setting the strategic business development goals.

A qualified accountant, you will be practically versed in the accounting disciplines of a multi-national organisation and be a competent user of PC-based spreadsheets. Knowledge of European and US accounting procedures will be advantageous.

If you are an enthusiastic and committed professional with a strong commercial flair you will enjoy the broad range of challenging responsibilities this "hands-on" role provides.

Applicants should, in the first instance, forward a full CV with details of current remuneration along with a short introductory letter explaining why you are the one we should appoint, to:

Tony Tyler,
Manager, European Human Resources,
Dataquest UK Limited, Centre Point,
103 New Oxford Street, London WC1A 1DD

Dataquest
a company of The Dun & Bradstreet Corporation

مكانمن الأصل

TARTAN

FINANCIAL CONTROLLER

CAMBRIDGE c £25,000 + Car

The inception of the Tartan Group in 1984 saw the start of a totally new approach to the commercial property marketplace. The product offers their client a complete package of building design, development and construction, affording the cream of expertise in each professional field united for his benefits.

The level of business is more than matching expectations and with a projected turnover of £7 million for the current financial year, the time is right for the appointment of a strong, forward thinking Financial Controller to take the financial reins within the senior management team.

As a young (up to 35 years) qualified accountant, your background will have prepared you to assume control of an established accounts function but with an eye to its imminent development and improvement. Initially applying a gritting "shirt-sleeves" approach, you will also enjoy setting a pace to match that of a demanding Managing Director, providing timely financial status reporting and ongoing management and development funding advice.

If you are ambitious, have excellent interaction skills–particularly with non-accounting personnel–and a bright and loyal personality then we need to meet you NOW...to discuss this superb opportunity and salary package.

for further information contact Accountancy Personnel, 2nd floor, Jesus House, 46 St Andrews Street, Cambridge CB2 3AH Tel: 0223 46569

Accountancy Personnel
Placing Accountants First
Hays

Director of Finance

Thames Estuary
Salary package c.£35,000 inc. car.

Our client, an established market leader providing vital interface facilities to a complex international transportation and services network, is embarked upon an ongoing multi million pound investment programme, and is actively preparing to meet the challenges and opportunities that an "Open Europe" will bring.

The Director of Finance, reporting to the Chief Executive, will be presented with a brief that is both challenging and diverse. Assuming day to day responsibility for all financial, budgeting and planning activities, providing broad based management and supervisory direction, and making a practical contribution to a closely co-ordinated executive team, during a period of unprecedented growth and change.

Consequently, our client is seeking to appoint a qualified Accountant, aged 35-45, with concrete experience of financial management and planning. An effective communicator, capable man-motivator and pragmatic man-manager who is familiar with 'Total' computerised management systems, and most essentially of all, relishes the challenge of joining a company with an absolute commitment to development through change.

For further details, please contact Paul Ballard on 01-439 5783 (01-256 6925 evenings/weekends). Or send your CV to him at Austin Knight Selection, 20 Soho Square, London W1A 1DS, quoting ref: PB/777/88.

Austin Knight Selection

BUSINESS OPERATIONS MANAGER

West Midlands Up to £30,000+car

OUR CLIENT is one of the largest independent footwear distributors in the country. Established in the last century, its family traditions of quality and service have earned it an enviable reputation and an attractive growth record in a rapidly changing trade sector. Responding creatively to these changes, new markets are being developed and its trading profile is becoming more sophisticated.

THE ROLE of Business Operations Manager, reporting directly to the Managing Director and as a member of the Management Committee, is to manage the total business support function and to develop its role and effectiveness within the changing trading environment. Departmental responsibilities include the accounting, company secretarial, computer and administration functions. The warehousing, distribution and business planning activities, of increasing importance in the company's activities, are key elements in this top management appointment.

THE REQUIREMENT is for a qualified accountant with strong commercial instincts and the inclination, energy and talent to become an influential and important member of the business management team.

THE REMUNERATION PACKAGE is negotiable and will include a fully expensed quality motor car, private health insurance and a contributory pension scheme.

Please reply in complete confidence enclosing a CV and quoting reference number 191A to the Managing Director.

Tanstead Associates Ltd
Executive Search & Selection
West End House, 11 Hills Place, London W1R 1AG
A member of the Tanstead Professional Group

CHIEF ACCOUNTANT

Slough c.£23,000

ML Aviation Limited is one of the UK's leading defence and aerospace engineering Companies, which over a number of years has grown both organically and by acquisition.

Reporting to the Chief Financial Officer, you will strengthen a high profile team of qualified and part qualified Accountants. This challenging role encompasses the preparation of statutory returns, financial and management accounts. You will also be responsible for the management of the payroll function and the implementation of a major software package.

You should be a qualified Accountant, ideally with a minimum of two years' professional experience, and able to demonstrate a high level of technical competence. In return the Company offers an attractive salary, Company car and benefits package.

If you are interested in the above position please contact Sharon O'Rourke on Slough (0753) 23838 extn. 236 for an application form and further details.

ML Aviation Ltd,
644 Ajax Avenue,
Slough, Berkshire SL1 4BQ.
ML AVIATION

FINANCIAL CONTROLLER

(DIRECTOR DESIGNATE)

Cheshire Late 20's/Early 30's c.£25,000 + car

This young, dynamic company has developed rapidly since starting 6 years ago. It quickly recognised that providing a high quality service, and a sophisticated product range to a niche market, was the recipe for success. Turnover this year will more than double to over £5m, while new developments on the horizon mean that the company is on the brink of enormous new opportunities. To cope with this, it needs a talented and commercially orientated accountant to join its senior executive team.

Your role will be to bring a more professional approach to financial control, introducing new systems capable of handling the existing and future business needs. You will produce and interpret management information, cash forecasts and business plans. Your style will be 'hands-on'; but you should also be effective liaising with external financial and legal advisors, while generally advising the Board on all financially related matters.

You will be an ambitious qualified accountant, with excellent motivation and technical skills. A down to earth, flexible approach will fit in well with the company's style. This is an exciting opportunity to join a company at a time when its potential for explosive growth is enormous. Prospects, therefore, are outstanding.

Please contact Karen Travis or Lawrence Barnett at our Manchester office, Ref. No. M961

ASB
Eagle Buildings, 64 Cross Street
Manchester M2 4JQ. Tel: 061-834 0618
Fax: 061-832 9123
Also at: Liverpool and Leeds
ASB RECRUITMENT LTD **A Division of ASB Barnett Kinnings Plc**

YOUNG ACCOUNTANT with BOARD POTENTIAL

London £30,000 — £35,000 package

A key factor in the ongoing expansion of our client, a progressive and profitable media and marketing services group, is the appointment of an energetic and ambitious individual with board potential.

As Chief Accountant, the successful candidate will be responsible for ensuring the timely flow of financial and management information, together with the review and interpretation of results, taxation matters and systems development. An equally important part of the job will be to assist the Finance Director with the group's UK and overseas corporate development and flotation programme.

Applications are invited from qualified accountants aged 26-34 who can meet the following criteria:

- *two years commercial post qualification experience*
- *computer literacy*
- *staff management and interpersonal skills*
- *an ability to warrant early promotion to board level.*

For further information or, to apply for this outstanding career opportunity please contact, Malcolm J. Hudson.

HUDSON SHRIBMAN
VERNON HSE·SICILIAN AVE·LONDON WC1A 2QH·TEL: 01-831 2323

Audit Manager

Derbyshire up to £26,000

In order to stengthen our Internal Audit management team, applications are invited for a new post of Audit Manager. Reporting to the Chief Internal Auditor Letters who will have principal responsibility for:

- directing the work of three Senior Auditors and their teams based in Chesterfield, Manchester and London;
- developing and monitoring the application of audit standards and working practices;
- initiating and implementing new audit developments and techniques;
- monitoring the implementation of audit recommendations and ensuring adequate follow-up;
- assisting the Chief Internal Auditor in producing strategic and annual audit plans.

Applicants should have the following qualifications: CIPFA, ICA, CIMA, CACA; wide-ranging audit experience preferably with a large public or private sector organisation; proven track record; high level of inter-personal and management skills; willingness to travel extensively throughout the UK.

Royal Mail Letters is an organisation employing 150,000 people with an annual turnover of £2.5 bn. Situated in Chesterfield, this new post offers the right person excellent career prospects throughout the whole of the Post Office Corporation. A competitive salary of up to £26,000 is offered, depending on qualifications and experience, together with a pension scheme and 5 weeks holiday. Relocation assistance is available where appropriate.

Interested? Please send a full CV to Carole Capel, PIRLI, Room 282(a), 33 Grosvenor Place, London SW1X 1PX. *Closing date for applications is* 9 December 1988.

The Post Office is an equal opportunities employer. The policy extends equally to disabled applicants.

Royal Mail

Group Financial Director

Young high calibre finance professional to join an ambitious, expanding, private group

West of London £35,000 + Car and equity opportunities

My client is a well capitalised private group who have clear plans to exploit a number of niche growth markets. A new senior management team has been created which is responsible for the direction of a number of separate trading companies and it is intended to seek other related acquisition opportunities.

As a platform for future development it is essential that stronger financial disciplines are introduced and the immediate focus of the role is to put in place the systems that will provide fast, accurate reporting. It is then intended that the job holder will be able to concentrate more heavily upon the group's expansion programme.

The post should be attractive to qualified accountants in their late 20's or early to mid 30's who are keen to join a small high quality management team operating in an entrepreneurial environment. You will need to be the kind of flexible individual who is equally at home in the examination of detail as well as contributing to the overall strategic debate.

My client acknowledges that to retain an individual of the calibre they are seeking, rewards other than salary and bonus need to be available.

Applicants of either sex should apply in confidence to Michael Johnson on (0962) 844242 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX, quoting ref. 903.

Johnson Wilson & Partners
Management Recruitment Consultants

PORTFOLIO

DLA

SEE THE WORLD AS AN INTERNATIONAL AUDITOR
Tax Free Salary + Benefits

Mobil

Join one of the world's largest industrial corporations and travel internationally as an EDP or Financial Auditor.

This is a high profile position which is challenging and can lead to excellent career progression. The salary package offers significant capital accumulation opportunities.

Contact **Deborah Sherry** on 01-836 9501, ref FT1188A.

FINANCE DIRECTOR DESIGNATE
Central London c£40,000 + Benefits

▲ LEASING EXPERIENCE
▲ FREE RANGING ROLE
▲ INITIATIVE AND FLAIR

An exceptional opportunity for a bright, creative Chartered Accountant with significant leasing experience gained through hands on or audit work.

The company is recently established and well-funded with tremendous growth prospects in financial and related services.

Call **Pippa Curtis** on 01-836 9501, ref FT1188B.

INTERNATIONAL MARKETING/ SALES COMPANY
Central London Up to £30,000 + Car

▲ GROWTH ENVIRONMENT ▲ COMMERCIAL FLAIR

This highly successful, recently listed company is seeking an Assistant Group Tax Manager. An ACA, you should have had 1-2 years Corporate Tax experience in public practice. The position will involve UK tax planning, compliance and investigative work. Following the acquisitive nature of the company, overseas investigations will also be conducted.

Contact **Noeleen Gibson** on 01-836 9501, ref FT1188C.

INTERNAL CONSULTANCY
Bucks BUNZL **Package up to £25,000 + Car**

An excellent opportunity to join one of the fastest growing UK companies with major interests in paper, plastics and distribution.

Post-acquisition investigation is a major part of the role as well as reviewing and appraising operations, controls and information systems. There are opportunities for 25% international travel.

Contact **Deborah Sherry** on 01-836 9501, FT1188D.

INTERNATIONAL STRATEGIC CONSULTANCY
London To £35,000

▲ STRONGLY ANALYTICAL ▲ HIGHLY CREATIVE

You will be 25-29 years old, a qualified accountant, with outstanding intellectual ability, strong interpersonal skills and a sustained academic and practical record of achievement.

Our clients are at the forefront of strategic consultancies in the world and now want to recruit further consultants with the ability to work in a stimulating team environment with some of the world's leading companies on issues of concern to top management.

Please forward a detailed CV to **Trevor Atkinson DLA, 410 Strand, London, WC2 0NS.** Ref FT1188E.

NEWLY QUALIFIED ACCOUNTANT
Central London £23,000

▲ DESIGN CONSULTANCY ▲ RAPIDLY GROWING
▲ PUBLIC COMPANY ▲ ACQUISITIVE

This multi-disciplinary building design consultancy is seeking a bright, lively newly qualified accountant. The position will carry responsibility for management and financial accounts, performance evaluation against budgets and forecasts, monitoring cash-flow and developing information systems. The person should enjoy being part of a team, but must be able to assume control of the Finance Department on occasion.

Contact **Liz Osborne** on 01-836 9501, ref FT1188F.

INTERNATIONAL AUDIT GROUP REPORTING

THE BOC GROUP

Surrey £ attractive

Excellent career development opportunities exist within the Group Reporting and International Audit Departments of this highly successful plc.

You could undertake extensive travel overseas on highly operational business reviews or become closely involved in analysing and reporting on Group results.

Contact **Pippa Curtis** on 01-836 9501, ref FT1188G.

NEWLY/RECENTLY QUALIFIED ACA
Luxembourg To £25,000

▲ PRESTIGIOUS CLIENT BASE
▲ INTERNATIONAL OFFICE NETWORK
▲ EXCELLENT CAREER PROGRESSION

What does 1992 mean to financial services? "The community vision is of one market in which capital and financial services would flow as freely across national borders as they do within countries".

As a newly/recently qualified ACA this is your chance to be in at the development and inception of the worlds largest and most innovative financial market. As a tax haven, Luxembourg is at the heart of Europe's financial services industry.

Contact **Gary Johnson** on 01-836 9501, ref FT1188H.

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EDINBURGH 031-225 7744
GLASGOW 041-226 3101
LONDON 01-836 9501
MANCHESTER 061-236 1553

DLA
DOUGLAS LLAMBIAS

Financial Controller

GUERNSEY to £25,000

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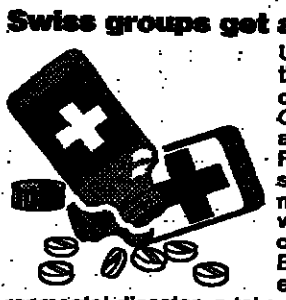
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 17 1988

INSIDE

Divisions abound at Opec meeting

The Organisation of Petroleum Exporting Countries today begins yet another attempt to patch together some sort of production limitation agreement. Max Wilkinson canvasses the oil experts' views on the chances for success at the Vienna meeting and finds them as divided as the Opec members themselves. Page 40

Swiss groups get a pep-up



Until recently the big three Swiss chemicals companies, Ciba-Geigy, Sandoz and F. Hoffmann-La Roche, had an introspective style of management and were not keen to open up to outsiders. But a series of events — an environmental disaster, a takeover and the European Community's 1992 initiative — has shaken the trio out of any sense of complacency. Each is well-positioned for expansion in high-value areas, while all have a broad geographical manufacturing and sales spread. Peter Marsh reports. Page 24

SEC plans rule book shake-up

New rules proposed by the US Securities and Exchange Commission could have a significant impact on the important institutional private placement market and in turn affect the selling of foreign government securities in the US. Stephen Fidler reports on the implications of the latest moves, which could alter significantly the way US investors approach the international markets. Page 26

Whitbread advances 18%

UK brewer Whitbread saw earnings from retail operations, both in Britain and abroad, fuel an 18.5 per cent increase in pre-tax profits to £110.6m ($198m) in the six months to end-August. Group turnover improved 10.1 per cent to £900m of which beer contributed £347m, retailing £482m and wines and spirits £150.9m. Lager sales — including brands such as Heineken and Stella Artois — increased significantly while most of the group's pubs were open for extended hours and about one in five were open for all-day trading following the new licensing hours in England and Wales. Page 29

Filipinos to auction nickel mine

The Philippines is to auction the mothballed Nonoc Mining and Industrial Corporation's nickel mine and refinery in January. The Government's Asset Privatisation Trust, which controls the plant, has invited bids of around $300m and says five groups have shown serious interest including the Soviet Union and Bond Corporation of Australia. Richard Gourlay reports. Page 40

Taking more stock in Europe

Volume on the leading European stock markets jumped again during October. Political concerns buoyed Milan turnover by 64 per cent while the cars sector was the star performer in West Germany, which was bolstered 23 per cent by strong overseas demand. France turned in a respectable 15 per cent month-on-month gain as takeover and stake-building rumours stirred activity. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)				De Dietrich	1751	+	64
Falls				**Falls**			
Interco	63⅞	−	1⅞	Immobilière Pl M	320	−	10
IBM	115	−	2⅝	Avions Dassault	840	−	18
Newport Pharm	2¼	−	3⅛	**TOKYO (Yen)**			
Pillsbury	55⅞	−	2⅜	**Rises**			
RJR Nabisco	84	−	4½	Mitsubishi Kak	753	+	100
Sears, Roebuck	40¼	−	1½	Ishikawa Seis	775	+	100
PARIS (FFr)				Kawai Music	819	+	99
Rises				**Falls**			
Comptoir Entrep	223	+	16	Yakuo Kogyo	1130	−	120
CSEE	800	+	37	Daito Wool	850	−	90
Chargeurs	1290	+	54	Godo Steel	1450	−	120
Fromageries Bel	1490	+	56				
Frankfurt closed.							
LONDON (Pence)							
Rises				Medprint	27	+	5
AAH	287	+	12	NMC	127	+	6
Armstrong Equ.	168	+	6	Plessey	224	+	48½
Beazer	177½	+	5½	Scott Robertson	285	+	28
Camford Eng.	181	+	6	Smurfit (J.)	385	+	15
Clark (M.)	400	+	10	US	419	+	10
Concentric	242	+	8	Wid of Leather	120	+	7
Cook (DC)	170	+	17	**Falls**			
Eskdale House	211	+	10	Dalgety	312	−	7
Ferranti Int Sg	107	+	5½	Enterprise	537	−	11
GEC	178	+	5½	Mackay (H.)	265	−	25
Irish Dist.	424	+	21	Wardle Storeys	839	−	12
Lilleshall	173	+	9				
MEPC	576	+	8				

Société Generalé builds defences against raid

By Paul Betts in Paris

SOCIETE Générale, France's largest privatised commercial bank, has enlisted the backing of five additional French private blue-chip companies to invest in its defence against the hostile raid by Mr Georges Pebereau, former chairman of Compagnie Générale d'Electricité (CGE).

These companies, which have so far not been identified but are understood to include some of the country's leading private groups, have pledged to invest between them in a 10 to 15 per cent stake in SocGen worth up to FFr5bn ($839m) to strengthen the bank's current core shareholding structure.

At the same time, SocGen has cut its business links with Kleinwort Benson in retaliation against the British merchant bank's role in the raid.

It is understood that members of the new defence club have each pledged to take up to 3 per cent and have already fulfilled half of their commitment. The remaining shares they are due to acquire are understood to be held on standby by SocGen.

The new shareholders have strengthened the hand of Mr Marc Vienot, chairman of SocGen, in his campaign to thwart Mr Pebereau. As a result, Mr Vienot can probably count on the support of "friendly" shareholders, including bank employees, accounting for around 42 per cent of the bank's capital.

Mr Pebereau and his allies control 9.16 per cent of SocGen while state shareholders own about 13.5 per cent. A further 20 per cent is believed to be held by 550,000 small banking customers of SocGen with the rest in the market.

The move against Kleinwort affects between $100m and $200m worth of business, principally in options, where SocGen is France's dominant bank with a 40 per cent share in the French currency and traded share options markets.

Mr David Peake, chairman of Kleinwort, is understood to have written to Mr Vienot in an effort to iron out the differences between the two banks. However, Mr Vienot appears to be in no mood at this stage to resume relations with Kleinwort, which is among the main shareholders of SIGP, vehicle of Mr Pebereau's raid.

SocGen has also put temporarily on ice its business links with BATIF, the banking subsidiary of the French state-controlled Thomson-CSF defence and electronics group, which has advanced a FFr300m privileged loan to Mr Pebereau's group.

However, the privatised bank has taken no retaliatory action against the industrial parent company of the Thomson-CSF group with which it has a long standing business relationship.

Mr Pebereau is now seeking to negotiate a compromise with Mr Vienot to try to resolve the deadlock. But although a meeting between SocGen and Mr Pebereau's representatives is due to be held tomorrow, Mr Vienot at this stage appears to have no intentions of negotiating directly.

The mobilisation of new shareholding allies has given Mr Vienot extra confidence in his defence strategy. However, the key question is now the attitude of the French Socialist Government to the affair.

Up to now, the Government, and especially the finance ministry, has appeared to favour Mr Pebereau's attack as a way of breaking up the core shareholding structure of SocGen set up under the previous Gaullist government.

But the pause in Mr Pebereau's raid has suggested to some observers that the minority government and the Socialist party may be having second thoughts about the political repercussions of the operation in the run-up to next spring's municipal elections.

Italian helicopter chief resigns over 'lynching' of state company

By John Wyles in Rome

MR RAFFAELLO Teti, president of Agusta, Italy's state-owned helicopter company, has resigned in protest at growing political interference in the company's affairs. His departure is likely to ignite the simmering row between the two major coalition parties, the Christian Democrats and the Socialists, over public sector restructuring proposals and the allocation of senior jobs in state companies.

Mr Carlo Fracanzani, a Christian Democrat who became Minister for Public Shareholdings last April, has appeared to put special pressure on Efim, the smallest and financially weakest holding company whose Social Democrat president Mr Rolando Valiani last night fully supported Mr Teti's reasons for resigning. The "unjust lynching of Efim," said the Agusta president, was putting his company in serious difficulties.

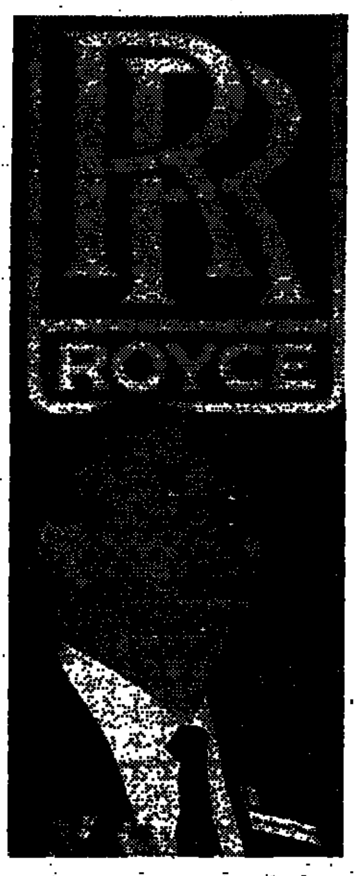
The rarity of a resignation – "hardly anyone in this country ever resigns," said Mr Teti yesterday – may encourage other top public sector managers who privately complain of intolerable political pressure to openly demand greater freedom.

During his five years at Agusta, Mr Teti steered the company from losses of L121.4bn ($93m) to a profit last year of L30bn. Its collaboration with Britain's Westland Helicopters on the EH 101 project has become an important source of revenue with more than 222 orders and options booked.

In a long statement to the Agusta board, Mr Teti claimed that Agusta had been penalised over the last two years because of his support for the Socialist Party. He said Aeritalia, Italy's main aerospace company which belongs to the Iri group and was therefore in the Christian Democrat "area," had received special favours in the allocation of contracts and public money.

Many of his complaints against Aeritalia relate to the period after Mr Fracanzani's attempts to reorganise state companies so as to reduce overlapping activities between the Iri, Efim (to which Agusta belongs) and Eni groups. His efforts have aroused such strong Socialist antipathies that they have been effectively frozen since August.

Christian Democrat whisperings that he had fallen out with his party were denied by Mr Teti.



Sir Francis Tombs, chairman of Rolls-Royce, keeps the City guessing about his intentions towards Northern Engineering Industries

Rolls-Royce and NEI discuss further ties

By Nick Garnett in London

NORTHERN Engineering Industries of the UK, in which Rolls-Royce took a 4.7 per cent stake last month, announced yesterday that talks were taking place with the aero engine builder "to establish what, if any, further relationship could be developed between the two companies."

The statement, issued by Robert Fleming, NEI's merchant bank, which has been acting as an intermediary for the talks, said the discussions were started at Rolls' invitation.

Rolls built its stake in NEI quickly and secretively. This fuelled speculation that Rolls wanted to make a takeover bid for the Newcastle-based power station equipment and general engineering company.

Many City of London analysts believe an agreed bid is still Rolls-Royce's aim, though NEI shares shed 2½p yesterday, to close at 133¼p, on speculation its ambitions could be more limited.

Mr Graeme Anderson, deputy chairman of Northern Engineering Industries, said a statement will be issued within the next seven days on the progress of the discussions.

He said that licence agreements and technology transfers did not appear to be what Rolls was looking for. He added that between the two companies "there are some synergies which do make sense" and that this was reinforced by having no product or business overlaps.

Mr Peter Macfarlane, director of corporate development at Rolls, said yesterday that the company wanted to see if either side could benefit from further association.

Further talks between the two companies are understood to be scheduled for Friday.

Some analysts suggested that the talks could range from collaborative ventures, particularly in power engineering, to putting all or part of the businesses together.

Those who believe Rolls wants to make a full bid, to get further into power engineering, suggested yesterday that NEI's share price could be a problem. They argued that an offer above 100p a share would reduce Rolls' own earnings per share. At 135p it might be reduced by around 6 per cent.

Rolls has a technical co-operation deal on gas turbines with Asea Brown Boveri. Managers in other power engineering companies believe some of the impetus for the Rolls stake in NEI has come from ABB.

Lucas-Thomson venture dissolved

By Richard Tomkins, Midlands Correspondent, in Birmingham

LUCAS INDUSTRIES, the UK automotive, aerospace and industrial group, has agreed with Thomson-CSF of France to dissolve Thomson-Lucas, their joint venture French aerospace operation.

The decision comes in response to the recent poor trading performance of the venture. In the year to July it lost £7m on turnover of £140m ($252m).

Thomson-Lucas, which controlled Bronzavia Air Equipement, Auxilec and ABG-Semca, was set up in 1973 and was initially successful. However, it ran into difficulties on military sales last year because of a depression in exports of French fighter aircraft.

The venture was one of Lucas's few remaining loss-making operations in the wake of the group's lengthy restructuring and the disposal had been long-expected by the City of London.

However, Lucas will not pull out of the French aerospace market altogether. The venture will be split in order to give Bronzavia-Air Equipement to Lucas and the other two companies to Thomson.

Lucas said no payment was being made for Bronzavia and full provision for the write-off of its assets had been made in last year's figures, but the company would bring £20m worth of borrowings into the group.

Bronzavia makes flight control systems, engine fuel control systems and accessory drive gear boxes. Lucas said its activities fitted closely with Lucas Aerospace's existing mainstream activities.

The subsidiary had been making modest losses on turnover of FFr 700m ($117m), but Lucas hoped that bringing it under direct control would turn it round into profit.

The agreement to dissolve Thomson-Lucas is subject to the French government's agreement and is unlikely to take effect until the new year.

Lifeboat fund for Prato agreed in Rome

By Alan Friedman in Milan

AN EMERGENCY lifeboat of up to L1,100bn ($830m) was agreed in Rome last night for Cassa di Risparmi di Prato, a Tuscan savings bank that is facing the worst single crisis to befall an Italian bank since the Banco Ambrosiano affair in 1982.

The Cassa di Prato, located near Florence in a town whose textile industry has been hit by heavy losses, has L1,400bn of bad debts, of which L747bn is thought absolutely unrecoverable.

As word of the crisis has spread the Prato bank's deposit base has tumbled by 25 per cent, from L2,200bn down to L1,650bn at present.

A senior banker involved in the Prato rescue talks has also said that a series of investigations is underway into suspected fraud and embezzlement.

The surprise last night was that the L1,100bn lifeboat for Prato will be organised entirely by Italy's recently established Deposit Guarantee Fund.

Originally it was expected that a group of savings banks would put together some L350bn of the total lifeboat, with the Fund stumping up L650bn and a pool of six banks led by Banca Nazionale del Lavoro (BNL), Italy's biggest bank, contributing the remaining L100bn.

This formula ran into difficulties because of the reluctance of some banks to agree to participate.

In taking the entire burden of rescuing the Prato bank the Deposit Guarantee Fund, which was established last year, will set a precedent for the Italian banking system.

This is the first time the Deposit Guarantee Fund – which was organised in the wake of the Ambrosiano experience – has been called upon to save an Italian bank.

However, a L200bn injection from the fund to the Prato bank in September reduced the fund's capital to L800bn.

The first tranche of the L1,100bn rescue will thus be L800bn before year-end, to be followed by the remaining L300bn early in the New Year once the Fund is recapitalised.

Criticism of the way the Prato rescue has been handled has come from various bankers

Last night Mr Nerio Nesi, chairman of BNL, said: "I still find the entire operation enormously perplexing and we have many doubts about the juridical rectitude of the rescue."

TR acquisition would unlock true value of Mercury for Sir Eric Sharp, chairman of Cable and Wireless, say analysts

C and W first half profits near £200m

By William Hall in London

CABLE and Wireless, the international telecommunications group, yesterday reported a 20 per cent increase to first half pre-tax profits of £198m ($356m) and disclosed that Mercury, the main UK rival to the giant British Telecommunications, had made its first trading profit.

Mr Gordon Owen, the deputy chief executive of C and W who has led Mercury's rapid expansion, said yesterday that Mercury made a trading profit of £4m on turnover of £48m in the first half.

Its revenues were running at an annualised rate of over £100m, Mercury's staff had risen to 3,000 and it had increased its share of outgoing international traffic to the US and Japan to around 8 per cent.

However, City analysts were generally unimpressed by Mercury's performance and had hoped that the profit contribution would have been greater, given the more than £500m that has been invested in the business to date.

Mr Jack Summerscale, an electronics analyst at BZW, said that the Mercury figures indicated how much more work still had to be done and underlined why C and W needed to win its £284m bid for Telephone Rentals.

Mr Summerscale said that the TR bid was the "key to unlocking the true value of Mercury."

C and W launched its 305p a share bid for TR on September 28 and ever since then TR's shares have traded at a substantial premium to the offer price.

Shortly after C and W released its figures yesterday, TR announced the next step in its defences by forecasting a 18.1 per cent rise in full year pre-tax profits to £23.5m.

Currency movements had a considerable impact on C and W's figures. Group turnover, which increased by 9 per cent to £509m in the six months to September 30, would have grown twice as fast at constant exchange rates.

Similarly, pre-tax profits would have been £19m higher but for exchange rate movements.

Nevertheless, C and W's latest figures have been helped by a £13m exceptional profit on the sale of a short-term investment in Racal.

Hong Kong Telecommunications, C and W's main subsidiary, had already reported a 20.4 per cent rise in its after-tax profits, and has forecast that it will earn no less than HK$3.59bn ($460m) in the year to March 31, 1989 – a 20 per cent increase.

Because of the impending sale of another tranche of HK Telecom shares and the bid for TR, C and W said that it was unable to give any further information about this side of its business.

The group's earnings per share rose by 23 per cent to 13.2p and the interim dividend has been raised by a similar amount to 2.82p.

Last year, the group's profits were bolstered by profits on the sale of shares received in lieu of cash dividends from Hong Kong Telephone Company.

However, with the formation of HK Telecom and the proposed share sale, the group does not intend to dispose of further shares that may be received as scrip dividends this year.

Lex, Page 20

INTERNATIONAL COMPANIES AND FINANCE

Forstmann shuns Nabisco auction

By Anatole Kaletsky in New York

FORSTMANN Little & Company, the second biggest US leveraged buy-out group, which earlier this month expressed an interest in mounting a bid for RJR Nabisco, announced yesterday that it would not submit a takeover proposal to the RJR board. It said that a buy-out proposal for RJR would not be "consistent with Forstmann's investment criteria."

The group's unexpected decision came as a shock to the stock market, which had been putting considerable store on the prospective auction for RJR among three competing LBO bidders: Forstmann Little, Kohlberg Kravis Roberts, and a management-led group backed by Shearson Lehman Hutton and Salomon Brothers.

RJR's shares fell $3⅝ to $84⅞ in heavy morning trading after the Forstmann Little announcement and this slump was seen by analysts as playing a significant role in the weakness of share prices on Wall Street generally. Both shares and options in RJR were by far the most heavily traded securities in US markets yesterday.

The Forstmann Little withdrawal was seen as bad news by takeover speculators partly because it eliminated the one prospective bidder which had publicly stated it would raise the stakes in the $20bn auction.

The Forstmann group included three industrial companies – Procter & Gamble, Ralston Purina and Castle & Cooke – which were interested in acquiring parts of RJR Nabsico and this had raised some hopes that it might be in a position to pay more for RJR than the other two groups. All bids for RJR must be submitted by 5pm New York time this Friday.

But there were two further reasons for the stock market's disappointment. Firstly, it raised again the possibility that the other two bidders, KKR and Shearson, would decide to collaborate in buying RJR instead of raising the stakes in competiton with one another. Secondly, Forstmann's decision to pull out drew renewed attention to the financial risks involved in the $20bn-plus auction for RJR.

Unlike the other two groups, Forstmann said it would rely on private placings of debt, instead of publicly traded junk bond financing and would try to make an all-cash offer to RJR shareholders. Yesterday's terse statement, which emphasised Forstmann's investment criteria, seemed to suggest that a bid for RJR could not be mounted within these more conservative financial parameters.

Strong chemicals sector lifts Veba

By David Marsh in Bonn

VEBA, the West German energy and chemicals conglomerate, boosted net group profits 14.8 per cent to DM565m ($323.8m) in the first nine months from DM492m a year earlier, mainly reflecting a strong performance in the chemicals sector.

Pre-tax profits rose to DM1.21bn from DM1.11bn. Turnover rose 8.7 per cent to DM32.4bn from DM29.8bn.

The company said it expected the positive business trend to continue in the fourth quarter, and forecast a profit increase for the whole year of at least 10 per cent.

Trading and transport and electricity generation turned in satisfactory performances.

Veba's oil business improved less than planned because of the effect of the lower dollar in reducing value of stocks. Electricity turnover in the first nine months fell 0.7 per cent to DM7.4bn, with oil business falling 9.4 per cent to DM6.2bn.

Chemicals sales rose 63 per cent to DM6.1bn, reflecting takeover of chemicals and plastics activities of the Feldmühle Nobel group.

● Viag, the recently privatised chemicals, aluminium and energy group, expects 1988 group net profits to top last year's record DM191m, Reuter reports from Bonn.

In an interim report it said it expected group third party sales to rise to DM9bn in 1988 from DM8.4bn in 1987, but it gave no specific profit forecasts.

Group net profit in the first nine months of 1988 stood at DM160m and was higher than in the 1987 period. However a comparative figure was not available due to a change in accounting procedures.

Group turnover rose to DM6.93bn from DM6.26bn in the same 1987 period, an increase of 11 per cent.

Aluminium sales rose to DM3.85bn from DM3.22bn.

Chemicals sales rose to DM1.01bn from DM866m. But energy sales fell to DM2.07bn from DM2.18bn mainly because of lower natural gas prices.

Chrysler hopes to agree venture with Renault

By Roderick Oram in New York

CHRYSLER, the US carmaker, hopes to agree on a joint venture with Renault, its French counterpart, within the next three to six months, yesterday.

The talks, going on about a year, is one of a series of discussions with foreign manufacturers about collaborative efforts.

Projects that could arise range from joint development of vehicles to joint production in North America and abroad.

One role model is Diamond-Star Motors, a 50-50 partnership between Chrysler and Mitsubishi of Japan which opened a plant in Illinois last week. It is producing Plymouth Laser and Mitsubishi Laser cars which will arrive in dealers showrooms in January. It will make a third type in the 1990 model year.

Mr Lee Iacocca, Chrysler's chairman, said in August that his company was negotiating for joint production in Europe of a four-wheel drive utility vehicle but he declined to name the other party. Chrysler gave no signs yesterday that Renault might be its partner for that project.

The Detroit company has been seeking a way back into the European market. It was forced by its brush with bankruptcy to quit Europe in 1978 when it sold its plants to Peugeot of France.

As a first step back into Europe, Chrysler has beefed up its exports from the US.

Toys 'R' Us third-quarter income surges

By Our Financial Staff

TOYS "R" US, the largest US toy retailer, yesterday unveiled a sharp increase in third-quarter net income to $25.8m from $18.4m.

The group also said that it planned to open a further 65 new toys stores in the US and abroad next year.

The rise in profits, to 20 cents a share from 14 cents, was achieved on revenue of $776.8m, against $600.2m last time.

The third quarter includes a pre-tax gain of $2m on the sale of the department store division.

Analysts on Wall Street have been forecasting strong growth for the group as it continues its aggressive expansion, backed by strong merchandising, of its toys and clothing operations.

There are now 358 toys outlets in the US and 52 abroad, while the clothing operations, which are making the group a major force in this sector, has 112 outlets.

Thirty more stores in the clothing sector are planned to be opened next year.

The group also posted strong gains in the first half of the year. This increase helped to bring income at the nine-month stage to $71.4m or 54 cents a share, compared with $49.6m or 38 cents a share last time. Revenues for the period advanced to $2.1bn from $1.6bn.

Rales in surprise Interco tactic

By Roderick Oram in New York

THE RALES brothers, Washington-based corporate raiders, surprised Wall Street yesterday by saying they were unlikely to buy shares in Interco when their $2.7bn offer expired at midnight last night.

With nearly 90 per cent of Interco's shares tendered, only an appeal court ruling due later this month stood between the Rales and victory in their fight for control of the largest footware and furniture manufacturer in the US.

Analysts thought the proposal to drop their $74 a share bid was another tactic by the Rales to try to force Interco to negotiate with them.

Alternatively, they might make good on their threat and return with a lower bid closer to the market's valuation of the recapitalisation Interco proposed as an alternative to the hostile offer.

Financial advisers for the St Louis-based company, which said it would go ahead with the recapitalisation if the Rales drop out, value it at $76 a share, but the stock market is more sceptical. Interco stock fell $1⅝ to $63⅞ yesterday, extending a steady decline in recent weeks.

In a letter to Interco's management over the weekend demanding negotiations and confidential financial information, the Rales said "the prospect of further delay, coupled with an apparent deterioration in Interco's business and prospects, leave us with great concern that our eventual purchase would involve 'damaged goods'."

The company turned down both requests.

Analysts see no evidence of a deterioration at Interco. "I don't know how the Rales could know or believe that," said Mr Laurence Day of Newhard, Cook, a St Louis brokerage house.

Nor should the legal delays extend much further the three-month fight. The Delaware Supreme Court is due to rule on November 30 on Interco's appeal of a lower court decision that overturned its poison pill.

EIE in Barrier Reef move

By Chris Sherwell in Sydney

EIE DEVELOPMENT, the Japanese investment group which is building a Pacific rim tourist empire, was poised Wednesday to add a floating hotel on the Barrier Reef to its regional collection of hotels and resorts.

The acquisition will come through a partial takeover offer and share subscription for Barrier Reef Holdings, a troubled Sydney development company in which EIE has already built up an 18.5 per cent stake.

The purchase follows less than two months after EIE agreed to pay A$341m (US$291m) for the Sanctuary Cove resort on Queensland's Gold Coast. In previous years the group has acquired the Regent Hotel in Sydney and the Hyatt Regency hotel in Perth.

Barrier Reef Holdings said yesterday it was withdrawing its floating resort from sale as a result of its agreement with EIE. The group put it on the market in September because of its poor financial performance and a dispute with the operator, Four Seasons, which is part of entrepreneur Sir Ron Brierley's empire.

EIE is to make a partial offer of 30 Australian cents a share for 25 per cent of Barrier Reef Holdings, which would lift its stake to around 43.5 per cent. It will also enter into a subscription agreement with Barrier Reef Holdings, under which shares would be issued to increase its holding to not more than 51 per cent.

Barrier Reef Holdings, meanwhile, said it was the company's present intention to continue operating the resort.

Scott Paper to expand output

By Maggie Urry

SCOTT PAPER, the large US-based group, is to invest $475m to expand production of lightweight and heavyweight coated paper. The investment is in Scott's S.D. Warren subsidiary, which makes printing and publication papers.

The investment will take the group's capital expenditure plans for 1989 towards $600m, against an expected $450m to $500m spending in 1988.

It will expand capacity and reduce manufacturing costs. Of the $475m, $375m will be spent building a third lightweight coated (LWC) paper machine at its mill in Skowhegan, Maine, increasing capacity there by 50 per cent.

Scott entered the LWC market with its first machine in 1982, and opened a second in 1986. The third is due to come on-stream in the fourth quarter of 1990.

The US market for LWC, which is used for magazines, catalogues, and direct mail, has been growing at 9 per cent a year for the past five years. Other manufacturers are also expanding production.

The other $100m will be used mainly to rebuild one of the group's heavyweight coated paper machines at its mill in Muskegon, Michigan. This will expand the mill's capacity by 30 per cent. Warren is the market leader in this segment.

Steady year for Munich Re

By Haig Simonian in Frankfurt

MUNICH RE, the world's largest re-insurer, unveiled virtually static after-tax earnings of DM60m ($34.4m) for the year to June 30. Last year the figure came out at DM60.8m.

However, the unchanged earnings picture hides a continuing steady improvement in the company's position, according to Mr Horst Jannott, its chief executive.

Conditions in the US liabilities business remain difficult, but other activities have shown a consistent improvement over the past four years, he said. Nevertheless, losses on "liabilities were again overshadowing a largely positive overall result," he added.

Premium income in 1987-88 slipped to DM11.7bn from DM11.9bn, largely because of currency factors, which depressed the figure by some DM700m, and the result of pulling out of certain unprofitable US activities.

Mr Jannott said premium income should rise in the current year, partly on account of the stronger dollar, and he implied that the dividend, which this year remains unchanged at DM10 a share, would at least be maintained in 1988-89.

Underwriting losses rose by DM20m to DM444.4m, while investment income fell to DM902m from DM1.07bn. However, the amount set aside for outstanding claims was reduced by DM10m to DM40m. The amount put in the special provision for liability risks fell to DM100m from DM290m in 1986-87, leaving pre-tax earnings virtually unchanged at DM161.9m.

Claims for natural damage in 1987-88 were "appreciably higher than in 1986," he said. The severe storms over much of western Europe in October 1987 cost the group some DM70m, its "biggest single claim of the year," according to Mr Jannott. Frost damage during the severe winter in Germany and floods in Natal accounted for a further DM30m and DM22m respectively.

The position this year remains unclear, despite a number of natural disasters, notably Hurricane Gilbert, which would cost DM100-120m. "We shouldn't conclude that these results will be worse than last year," said Mr Jannott. The Piper Alpha oil rig disaster, in which the Munich Re was not directly involved, could cost less than DM50m, although further details were still required.

INTERNATIONAL COMPANIES AND FINANCE

Sony surges to Y29.18bn midway

By Gordon Cramb in Tokyo

SONY, Japan's innovative consumer electronics group, boosted worldwide net profits by more than 3½ times in the six months to September to reach Y29.18bn (US$236.4m).

Sales grew 41.9 per cent to Y992.3bn, buoyed by a Y162.4bn first-time contribution from CBS Records, which Sony agreed to buy from the US broadcasting network a year ago for $2bn. The Japanese company said yesterday the purchase had strengthened its music software business, while CBS Records itself had experienced a good period because of strong compact disc sales.

The recording side emerges as Sony's third largest product group, ranking after video and audio equipment which both showed strong gains in turnover, but just eclipsing the company's television manufacturing business, where sales grew only 4.2 per cent.

Although Sony gave no earnings breakdown by division, analysts say CBS Records began contributing to profits soon after the deal became effective in January and that the company expects the new unit to provide several billion yen for the full year.

Following the acquisition, Sony's long-term debt has grown by a modest 7.8 per cent to Y234.8bn. It refinanced bank borrowings in the spring to cover most of the purchase price.

The consolidated profit figure compares with Y8.01bn for the same period of 1987, results for which have been restated because of a change in year-end.

Domestic sales showed the strongest rise in the first half, up 46.7 per cent to Y337bn. Overall, however, Sony warned: "The operating environment in the near future is expected to be difficult because of the uncertain US economic situation, intensifying domestic and foreign price competition, and the further appreciation of the yen." The results reflected pre-tax profits at the parent company alone of Y31.25bn, compared with Y17.01bn. Consolidated net income per depositary share was given as Y98.7 against Y34.2. The interim dividend is being maintained at Y22.3.

Separating out the latest three months, consolidated net profits of Y13.08bn were up 175 per cent, while sales rose 46.3 per cent to Y528.7bn.

Guinness in Malayan Breweries merger

By Wong Sulong in Kuala Lumpur

GUINNESS, the UK drinks group, and Malayan Breweries (MBL) of Singapore yesterday announced plans to merge their Malaysian operations to achieve greater operational efficiency and market share.

Under the deal, Guinness and MBL will hold equal stakes in a joint venture company which will hold 58 per cent in the enlarged publicly listed Guinness Malaysia Berhad, to be renamed Guinness Anchor Brewery (GAB).

The remaining 42 per cent in GAB will be held by Malaysian and Singaporean investors, including at least 10 per cent by Malays.

MBL will make a one-time payment of 58m ringgit ($21.8m) to Guinness through its subsidiary Guinness Overseas.

The proposed deal, which is subject to approvals, is part of Guinness' strategy of developing its international businesses by seeking complementary partners.

Guinness and MBL said the merger "will greatly strengthen and broaden the product base of the enlarged company by bringing together such famous brand names as Guinness, Anchor, Tiger and Heineken."

It would also entail a new marketing arrangement. Apart from producing and selling the four brand names in Malaysia, the enlarged GAB will export to Hong Kong, Thailand and Brunei. GAB will continue to sell Guinness stout in Singapore for another three years, after which the product in Singapore would be taken over by the joint venture.

The statement noted that the Malaysian beer and stout market has long seen a long period of overcapacity.

As part of the restructuring, most of the production lines of MBL would be transferred to the Guinness plant at Sungei Way by 1991, leaving the 20-acre MBL site at Sungei Besi in Kuala Lumpur for redevelopment.

It is expected the company should have a market capitalisation in excess of 1.1bn ringgit.

At the end of December, 1987, Guinness Malaysia had pre-tax profits of 46.2m ringgit, on sales of 255m ringgit, while MBL's Malaysian operations had pre-tax profits of 9.4m ringgit, on sales of 128m ringgit.

Guinness of the UK holds 50.01 per cent of Guinness Malaysia.

Improved market lifts Kyocera

By Gordon Cramb in Tokyo

KYOCERA, the Japanese electronic components producer, showed the benefit of better market conditions in reporting interim pre-tax profits which had risen by nearly 20 per cent to Y24.73bn ($200.3m) from Y20.62bn in the comparable period of last year.

Sales for the September first half rose 15.6 per cent to Y131.0bn.

Demand was strongest in its electronic equipment division where turnover at Y32.1bn was ahead 26.8 per cent. This improvement was a reflection of increased shipments of personal computers and cordless telephones to Europe.

Microchip parts, its biggest operating unit with sales of Y52.2bn, showed a more modest increase, up by 11.1 per cent. Growth here came largely in orders from makers of application-specific products.

In its basic ceramics business, Kyocera confirmed that it was facing vigorous competition over prices, but that it was trying to provide more value-added lines for applications in electronics.

For the full year the company expects to maintain its present progress. It forecasts pre-tax profits up by 20.5 per cent to Y51.33bn on sales up 14.5 per cent to Y310.4bn.

KDD strives to cut costs

By Michiyo Nakamoto in Tokyo

KOKUSAI Denshin Denwa (KDD), Japan's international telecommunications company, has been striving to reduce operating costs to meet the challenge of two rivals expected to offer international services as early as next spring.

KDD, which until now has held a monopoly over international telecommunications from Japan, has also benefited from the rapid internationalisation of Japanese business.

In reporting pre-tax profits for the six months to September up by 60.7 per cent to Y29.85bn, on sales which rose 14.9 per cent to Y138.3bn, KDD said there had been a 35 per cent growth in international calls. As a result international phone revenue, 80 per cent of KDD's total income, rose 21.4 per cent.

Although KDD officials are confident that deregulation will not pose much of a threat in the near future, they admit the possibility of significant competition has led to major cost-cutting and a 21 per cent reduction in rates.

The rate cut was also prompted by criticism that KDD's international charges are way above those in the US and Europe. The company reduced rates on the heavily used US lines by 30 per cent.

FVB cautious on outlook

By Jim Jones in Johannesburg

FEDERALE Volksbeleggings, (FVB) the South African industrial holding group, increased sales by 20 per cent in the six months to September but is cautious on prospects for the rest of the financial year.

The interim turnover was lifted to R1.62bn ($704m) in the six months to September 30 from R1.36bn in the corresponding year-ago period. The interim operating profit before tax and interest rose to R134.4m from R106.5m and the first half's pre-tax profit was R119.1m against R86.6m. For the last financial year as a whole, turnover was R2.86bn, the operating profit was R237.1m and the pre-tax profit was R208.9m.

Fedfood, the food subsidiary, made the largest contribution to the group's attributable profit and expects a further profit increase during the second half. However, FVB's sales of consumer durables are expected to slow down.

INTERNATIONAL APPOINTMENTS

General Motors realigns international operations

GENERAL MOTORS, of the US, the world's largest manufacturer of cars, has elected Mr John Mischi as comptroller, and announced a realignment of its international operations.

Mr John Rhame, the previous comptroller, has been promoted to vice-president in charge of international export, African and Middle Eastern operations.

Mr Barton Brown, previously in charge of international export, Asian, African and Middle Eastern operations, will now concentrate on the Asian and Pacific regions.

A new post of executive in charge of Asian operations has been filled by Mr Thomas McDaniel, who will report to Mr Brown.

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THE CHICAGO Board Options Exchange, the world's largest marketplace for listed options, appointed Ms Nancy R. Crossman first vice president and general counsel.

Ms Crossman joined CBOE in June last year as associate general counsel. She previously served as special counsel to the American Stock Exchange. Her expertise lies in federal and state regulatory matters.

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UNITED Telecommunications, the Kansas-based telephone systems group, named Mr Arthur B. Krause chief financial officer and executive vice president from November 1.

Mr Krause, president of the company's Eastern Group since February 1986, replaces Mr Charles W. Battey as chief financial officer. Mr Battey is taking early retirement from the end of the year and will leave his other Telecom senior post of joint vice chairman.

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AT ROTHSCHILD Asset Management, a unit of Rothschild North America, the New York-based investment banking subsidiary of the international Rothschild group, Mr Mark K. Tavel will become president and chief investment officer from early December.

Mr Tavel, 43, will also be made a director of Rothschild North America. His career to date has been spent with Value Line, where he currently holds the position of senior vice president. He is also president of Value Line Asset Management and three of Value Line's mutual funds.

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TRW, the US industrial products and aerospace group, said Mr Joseph T. Gorman, president and chief operating officer, has been elected chairman and chief executive from December 1. He succeeds Mr Ruben F. Mettler, who is retiring. Mr Gorman will retain the title of president.

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BANQUE Nordeurope (BNE) Luxembourg, a bank which links Scandinavia with the Grand Duchy's financial centre, has appointed Mr Anders Lobelius as its deputy managing director and treasurer.

Before joining BNE he was deputy managing director and and treasurer of Citibank in Stockholm.

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BHP-Utah Minerals International, which has reorganised its iron ore business, has announced the appointment of Mr Gavin McDonald as managing director. He assumes responsibility for all of BHP's iron ore interests in Western Australia.

Mr McDonald, who has most recently served as general manager of BHP-Utah Coal, has taken up his new position. He is a civil engineer with extensive experience in the mining industry.

Mr G.M. Freeman, chief executive officer, iron ore, for the past two years, has resigned.

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KRISTIAN Jebsens Rederi, the newly-reconstructed Norwegian shipping group, has appointed Mr Ivar J. Saunes chief operations officer.

INTERNATIONAL COMPANIES AND FINANCE

Swiss drugs trio shaken out of old complacency

Peter Marsh on plans by Ciba-Geigy, Sandoz and Hoffmann-La Roche to meet future challenges

From their base in the small and comfortable city of Basle, the big three Swiss chemicals companies may be forgiven for sometimes feeling a trifle smug.

The three groups – Ciba-Geigy, Sandoz and F. Hoffmann-La Roche – are generally agreed to be in an ideal position to exploit the potential for growth in many of the high-value areas of the chemicals business such as drugs, crop-protection products and specialist plastics.

None of the companies is active in commodity chemical products such as fibres and bulk plastics – which are fields normally associated with unpredictable demand patterns and unenticing profit levels.

Furthermore, each member of the trio has its manufacturing and sales activities spread reasonably evenly around the world. None of them has more than 5 per cent of annual sales in Switzerland, and each earns at least a quarter of revenues from North America.

This international approach should, in theory at least, let the companies take advantage of the expanding markets for many specialist chemicals in countries outside Europe – in the Far East in particular.

Until relatively recently the three companies, despite their worldwide presence, have had an introspective style of management and have not been keen to open themselves up to outsiders.

Several sets of events have, however, shaken the Swiss chemicals companies from any feelings of complacency:

- A fire two years ago at a Basle warehouse run by Sandoz led to a discharge of poisonous chemicals into the Rhine. The incident led to all three companies re-examining how their activities affect the environment.
- In January this year Roche made an ambitious and contested $4.2bn bid for Sterling Drug, a US maker of non-prescription pharmaceuticals. The acquisition attempt, which failed after Sterling was bought by Eastman Kodak for $5.1bn, subjected Roche to a level of public scrutiny to which none of the Swiss groups has been accustomed.
- All the members of the Basle trio have been examining how their activities in Europe might be altered by the post-1992 reduction of trading barriers within the European Community, of which Switzerland is not a member.
- The Swiss companies, like everyone else in the chemicals industry, are affected by increasing competitive pressures which are forcing many businesses to be more selective about their activities.

According to Mr Claudio Werder, an analyst at Bank Vontobel, a Zurich investment bank, all three Swiss companies are in a basically sound position.

Mr Andrew Tivenan, an analyst at James Capel, a London stockbroker, says they may, however, have to be more active in their acquisitions policy. "I don't think any of the Swiss companies can afford to sit back and take it easy," he says.

Of the three Basle concerns Ciba-Geigy – the world's seventh largest chemicals company – is about twice as big as the other two and the most broadly spread in terms of products. It is the only one of the Basle companies to have a strong presence in plastics, although it is mainly concerned in this area with relatively specialised, high-value materials.

Ciba-Geigy is also among the two leading companies in agrichemicals, the other being Bayer of West Germany. All three of the Swiss businesses are among the world's top 20 pharmaceuticals companies; while Ciba-Geigy is bigger in this field than the other two, it is generally agreed to have a less promising set of products emerging from its development pipeline compared with Sandoz and Roche.

Sandoz is among the top three in the world in construction chemicals and the number two in seeds. Roche is strong in medical diagnostics, while both Ciba-Geigy and Sandoz are leaders in dyestuffs.

A feature of the Swiss groups is the large amount of cash, amounting in the case of each company to roughly 10 per cent of sales each year, that they spend on research and development. Last year total outlays by the three in this area came to SFr3.5bn ($2.4bn).

All three companies are examining new management methods to optimise results from their R&D spending. "We are trying to reduce duplication (in research) and to take more risks," says Mr Alex Krauer, chairman of Ciba-Geigy.

The companies will face increasing public pressure, they believe, to spend more on anti-pollution investment. Ciba-Geigy, for example, is spending SFr800m over the next four years on projects at its Swiss plants to reduce the risks of wastes contaminating the environment. That will entail a doubling of the group's total outlay over this period on environmental schemes.

Mr Krauer is reasonably philosophical about this, however. He says the extra environmental spending may well help his company directly through increasing quality and yield of products.

A further common factor is that the Swiss companies are keen to build up their activities in other countries beyond Europe, especially in the Pacific region. Mr Hans-Peter Sigg, vice chairman of Sandoz, says he hopes Japan will account for above a fifth of group sales by 1995, up from 13 per cent now.

Sandoz is also highly likely, says Mr Sigg, to site a new biotechnology laboratory which is now under study not in Switzerland but in the US. That would be part of the general drive to site more of the R&D facilities away from group headquarters and closer to individual markets.

As for the EC's planned trade liberalisation in 1992, the Swiss companies think that, because of the network of plants and research bases which they have already established in most parts of the Community, the effects of 1992 will be small.

"Our local companies in the European Community are run just like any other company in those countries," says Mr Fritz Gerber, chairman of Roche. "What is good for the EC is good for us."

Mr Sigg says his company "must not be hypnotised" by the broad trade questions thrown up by the 1992 debate.

He says that much of the decentralisation to which Sandoz is broadly committed – in which the company is delegating more decision-making power to its subsidiaries around the world – is taking place for sound commercial reasons rather than as a result of problems which the company perceives over trade issues.

A final point is that the Swiss groups appear to have decided independently to try to discuss their affairs more openly with the outside world. That applies especially to discussing environmental matters more fully with communities who live near chemicals plants and are the most directly affected by chemicals manufacturing operations.

Mr Sigg believes that the level of acceptance of chemicals industry activities by local communities may turn out to be tremendously important in influencing the sector's future. "We have seen what happened to the nuclear industry by its failure to explain its business properly," he says.

THE BIG THREE SWISS CHEMICALS COMPANIES

	Ciba-Geigy	Sandoz	Roche
1987 sales (SFrbn)	15.7	9.0	7.7
R&D spend (% of sales)	11	9	13
Sales breakdown by product (%):			
Pharmaceuticals/diagnostics	30	46	51
Fine chemicals/plastics dyes/flavourings etc.	40	27	38
Agrochemicals/seeds	22	15	3
Instruments	5	0	7
Other	3	12	1
Sales breakdown by region (%):			
Switzerland	2	5	4
European Community	*44	#30	36
North America	28	27	33
Asia	13	$13	11
Other	13	NA	16

* All Europe except Switzerland; # estimate; $ only Japan.

Japanese ship lines ahead

By Gordon Cramb in Tokyo

THE SIX leading Japanese shipping lines have reported improved results for the six months to September as the effect of a state-backed rehabilitation plan for the industry showed through. Three groups, however, still suffered a loss.

Nippon Yusen (NYK), the largest in the industry, lifted pre-tax profits nearly 80 per cent, its first interim upturn in three years. It attributed the turnround to increased shipping operations amid world economic expansion. Its North American route remained unprofitable, however.

The company added that property, warehousing and other businesses quadrupled sales from their small base. The shipping companies, like many long-established sectors of Japanese industry hit by the high yen, are diversifying into leisure and other areas.

Within their maritime operations, some are looking to growth through luxury cruise ships.

Japan Line, which is restructuring after near-collapse, made an impressive recovery with Y13.2bn ($107m) profits at the pre-tax level. However, these were all but eroded by special charges.

JAPANESE SHIPPING LINES' PROFITS (Ybn)

	Sales 1988	Sales 1987	Pre-tax profit 1988	Pre-tax profit 1987	Net profit 1988	Net profit 1987
NYK	217.6	206.8	5.71	3.18	2.33	2.31
Mitsui OSK	176.4	173.7	2.13	1.58	0.96	1.07
Kawasaki Kisen	149.3	147.1	-1.19	-4.07	-2.85	-8.46
Japan Line	86.3	64.4	13.22	-1.29	0.23	-1.53
YS Steamship	62.7	60.3	-0.60	-2.71	-4.08	-3.14
Showa Line	47.5	52.2	-3.21	-3.91	-4.90	-5.19

Parent company results, half-year ended September

Steel dividends restored

By Gordon Cramb in Tokyo

JAPAN'S big five steelmakers have all restored interim dividend payments after their return to profitability in the second half of 1987-88 was reinforced by figures for the first six months of the current financial year.

Each is paying Y2.50 per share, with the expectation that the total payout for the year to next March will be Y5.

The recovery was attributed to better product prices, an upturn in demand, and cost-cutting efforts.

Nippon Kokan (NKK) said it would review its plans to shed 8,000 jobs within the next 18 months, more than a quarter of its workforce. Mr Toshio Masago, vice president, said NKK should at least be able to spread the job losses over a longer period.

All the companies showed substantial sales increases as steel output was stepped up to meet demand from the booming construction industry and record capital spending at home and in world markets.

The steelmakers are using the better business climate to reduce borrowings. They expect a buoyant full-year outcome, with pre-tax profits forecast to jump 5.8 times at Sumitomo Metal, 2.3 times at NKK and 3.5 times for Kawasaki.

JAPANESE STEELMAKERS' RESULTS* (Ybn)

	Sales 1988	Sales 1987	Pre-tax profit 1988	Pre-tax profit 1987	Net profit 1988	Net profit 1987
Nippon Steel	1,140	1,003	61.33	-6.78	40.33	-5.30
Kobe Steel	551	484	21.15	-1.10	10.18	0.67
Kawasaki Steel	509	443	43.38	-1.97	22.78	-2.00
Nippon Kokan	509	481	44.80	-2.97	20.23	-2.56
Sumitomo Metal	493	423	40.35	-3.80	24.46	-3.88

Parent company results, half-year ended September (Ybn)

INTERNATIONAL COMPANIES AND FINANCE

United Cable wins UK franchises

By Raymond Snoddy in London

UNITED CABLE, one of the largest US cable television companies, was yesterday awarded three large British cable franchises covering 700,000 homes.

United, which says it is seeking UK franchises covering at least 2m homes, said yesterday the three new franchises, Avon, Thames Estuary North and Thames Estuary South would cost around £150m ($270m) to build. The investment represents the most substantial American commitment *so far to the UK* cable industry.

The announcement came as Mr Richard Burton, chairman of the the Cable Authority, the British industry regulatory body, attacked the Government for the "appalling uncertainty" the recent government policy document on broadcasting had introduced into the cable industry.

Last week's White Paper proposed the creation of new local television franchises which could use cable, microwave television or a mixture of both. To increase competition the network owner would not be able to sell programme channels to the public,this would be done by separate local retailers.

Mr Burton, who was scathing about the "colourless, technologically neutral" White Paper said the Government proposals came just when there were realistic possibilities than within the next five years cable television could become available to a quarter of the UK population.

"What a moment to inject another massive dose of uncertainty – the very moment when franchise applications of a size previously only in the imagination are being considered and granted," Mr Burton asked.

The chairman of the Cable Authority, a body which together with the Independent Broadcasting Authority will be abolished under Government proposals and replaced by an Independent Television Commission warned: "We shall do all in our power to remove that uncertainty by granting franchises under our existing franchising process as quickly as we can to applicants who may wish to apply."

Mr Timothy Renton, the Home Office Minister responsible for broadcasting also speaking at the 1988 Cable Convention in London yesterday pointed out that existing franchise holders could choose whether to keep their existing right to retain and deliver services. They could transform themselves into "new style technology-neutral delivery operators and then have the right to use microwave television and use local transmitters to deliver up to 30 channels of programmes over a local area.

The Government was considering whether to extend this choice to applications for franchises submitted to the Cable Authority before the White Paper was published but not yet awarded.

Mr Renton explicitly acknowledged the Cable Authority's right to award as many franchises as it liked under existing legislation before new broadcasting legislation becomes law, probably in the summer of 1990.

"If there is real demand for new franchises under the existing framework then it is clearly right that it should be met," Mr Renton said.

The Cable Authority immediately took him at his word by announcing the advertising of four new franchises, three of them in London. The franchises are - one for the boroughs of Lambeth and Southwark, *one for the borough of* Waltham Forest, one for Haringey with the fourth for the City of Cambridge and surroundings.

The announcements mean that franchises awarded or in the pipeline now cover 6m homes.

Because of rules preventing control of UK cable franchises by non-EC nationals, the three United franchises are controlled by UK interests although United is putting up the majority of the financial stake.

Strategic review for Standard

By Nick Bunker in London

A WIDE-RANGING strategic review, the first for nearly three years, is under way at Standard Chartered, the London-based international banking group which narrowly escaped takeover by Lloyds Bank two years ago.

Mr Rodney Galpin, Standard's executive chairman, said yesterday the six-person review team, which will visit branch offices around the world, is being led by Mr David Mallett, a former Bank of England official who joined Standard earlier this year as deputy general manager responsible for planning.

Mr Mallett was a colleague of Mr Galpin in the Bank of England's banking supervision department prior to Mr Galpin's arrival at Standard

The review, being prepared with the help of CRA, a management consultancy firm, is expected to be "substantially complete" in the first quarter of 1989, Mr Galpin said, but the group would not necessarily wait for it to be finished before making any changes required. "I am not going to wait for some dirty great tome to land on my desk," he added.

Mr Galpin also announced a re-organisation of the relationship between Standard Chartered's main group board and the board of its main subsidiary, Standard Chartered Bank. "The point is to give me a better handle on things, to create clearer lines of command and to give people clearer responsibilities," he said.

Hitherto, the two boards have held a combined meeting in London once a month, Mr Galpin said. In future, they will meet separately, with the major strategic and policy matters handled at main board level while the board of Standard Chartered Bank will be wholly executive and handle operational issues.

Mr Galpin said he was also strengthening the group executive structure by appointing Mr Bill Brown as deputy chief executive while Mr Patrick MacDougall becomes an executive director on the main board.

He declined to give any details on who might replace Sir Yue Kong-Pao, the Hong Kong shipping magnate who is retiring shortly.

Suez shows 12% fall in first-half

By George Graham in Paris

COMPAGNIE Financière de Suez, the French investment and banking group, has reported net first-half profits of FFr1.27bn ($213.1m), a drop of 12 per cent on the same period a year earlier.

Suez warned, however, that the figures were not representative because it had not been possible to consolidate its major stake in Société Générale de Belgique.

It forecast that total net profits for the whole of 1988 would be between FFr2.2bn and FFr2.5bn, compared with FFr2.13bn in 1987, thanks to the inclusion of La Générale and higher capital gains.

Net operating income rose by 17 per cent to FFr748m, despite a 53 per cent increase in provisions, principally for sovereign risks. Realised capital gains, however, nearly halved to FFr424m.

Wardle bids £85m for Armstrong Equipment

By Clare Pearson in London

WARDLE STOREYS, the UK plastic sheeting and survival equipment group, yesterday announced an £84.9m ($153m) bid for Armstrong Equipment. The British motor components and industrial fastenings company dismissed the offer as without commercial logic and made on completely unacceptable terms.

Armstrong's shares closed 8p up at 168p, compared with a value of 159.8p attributed to them by Wardle's offer of three new shares, and 640p in cash, for every 16.

The shares had moved up from 134p on Tuesday when Armstrong, which said it had become concerned about rumours circulating in the market, had announced it had received an approach.

Mr Neil MacKay, a managing director of Lazard Brothers which is advising Armstrong, said the offer was clearly inadequate for a company that, among other interests, offered the attraction of commanding about 75 per cent of the UK original equipment manufacturers' shock absorber market.

Mr Brian Taylor, chief executive of Wardle, said: "They should remember we are offering to buy them in totality. I do not think there are very many other companies who are interested in doing that."

He said the attitude of Mr Roy Watts, Armstrong's chairman, had been "positive" and friendly during an initial meeting between the two companies on Monday night.

Wardle's pre-tax profits were 29 per cent up at £16.47m in the year to end-August.

INTERNATIONAL CAPITAL MARKETS

SEC rewrites the rulebook

Stephen Fidler examines changes to the US's regulatory framework

Significant changes to the important US institutional private placement market – which could have an impact on the selling of foreign government securities in the US – are expected to follow if newly proposed rules by the Securities and Exchange Commission are adopted.

The proposed rule is the latest of a series of proposals from the SEC which, taken together, are likely to alter significantly the way US investors approach the international markets.

According to US securities lawyers, the SEC's new proposals follow two important principles. The first defines a territorial approach to the Securities Act of 1933, which means that, except in the case of fraud, the SEC will not in future seek to influence the investment behaviour of US nationals abroad. That approach is the basis for Regulation S, the proposed rule which would overhaul for the first time in 24 years rules on the offering of securities outside the US.

The SEC said in its proposal: "The 'territorial' approach recognises the primacy of the laws in which a market is located."

The second guiding principle – and that which guides the new proposed rule 144a – is based on the concept of sophisticated investors able to "fend for themselves." The most significant part of the proposal would permit resales of any security (registered with the SEC or not) by any issuer (SEC registered or not) to accredited institutional investors with assets of more than $100m or investment advisers managing more than $100m or more of assets.

According to the US law firm of Cleary, Gottlieb, Steen and Hamilton, the proposed rule would make explicit regulations which currently rely on interpretations of statute. More importantly, the firm stated in a memorandum to clients that it "would result in significant changes in the institutional resale market."

Furthermore, the requirements under the proposal were "significantly less onerous than the procedures now used . . . and could lead to increased trading activity and market liquidity and efficiency."

In issuing the proposal – it invited comments before the year end – the SEC drew attention to a number of policy issues raised by the rule, indicating that it realises the potential for change is quite considerable.

It asked for views, for example, on whether steps should be taken to prevent the development of a two-tier market, which would probably follow adoption of the rule. The prospect is for an active private market where institutional investors trade among themselves trading alongside a public market.

It also asked for comment on the potential market consequences if foreign securities bought by dealers outside the US in primary or secondary transactions could be resold directly to US institutions without SEC registration. If this were allowed, it also asked whether it would deter foreign and other issuers from registering their securities with the SEC.

The agency also asked about the possibility of "leakage" of foreign securities from the private placement market into the retail market, resulting in an increase of unregistered foreign securities being held or traded in the US.

The proposal, among other things, would allow the sale of new foreign government bond issues into the US immediately they have been issued. Currently, unless there are other seasoning requirements, there must be a 40-day wait before they can be sold into the US, even to institutional investors.

In a rule proposed earlier this year, the comment period on which has just ended, the SEC used the $100m limit as one determinant of a sophisticated investor. This rule proposed that foreign broker-dealers would not have to register with the SEC in order to deal with such expert institutions.

Japan unveils plans for options

THE Tokyo and Osaka stock exchanges have outlined their separate plans for stock index options trading, agencies report.

TSE options will be based on the Tokyo Stock Price Index and the contract unit for each put and call option will be 10,000 times the value of the index.

This is the same as TSE Topix-based futures trading. The TSE will introduce computerised options trading in the autumn of 1989.

In contrast, OSE options will be based on the Nikkei-225 stock index.

Both the TSE and OSE will require sellers to pay an initial margin of more than 9 per cent of the exercise price each time they sell, with a minimum margin amount of Y6m.

Buyers of options are not required to pay the margin, the exchanges said.

An OSE official said the exchange will introduce options through floor trading in spring 1989, but will later move to computerised trading, probably the following autumn.

The OSE official said the exchange planned to fix one trading day each week on which options could be exercised. This would be a stopgap until everyday trading was introduced with computerisation, he said.

The TSE will introduce everyday options trading right from the start, a TSE official said.

Both exchanges will ban bids or offers more than 3 per cent above or below the previous day's close.

This limit will be subject to review. The same rule was adopted for futures trading on both exchanges.

● Mr Minoru Nagaoka is to be the new president of the TSE. He replaces Mr Michio Takeuchi.

Mr Nagaoka was voted in at a meeting of TSE directors. The appointment remains to receive approval in a general meeting of exchange members later this month.

Mr Nagaoka, like Mr Takeuchi before him, comes via the Ministry of Finance. Mr Nagaoka served as a vice minister of the ministry before becoming president of Japan Tobacco in 1982.

Fiat plans debut in New York

By John Wyles in Rome

FIAT, the Italian motor group, hopes to make its debut on the New York stock market at the beginning of next year through an issue of American depositary receipts to be sponsored by First Boston.

Mr Cesare Romiti, Fiat's managing director, said in New York that an application to register the ADR's had already been made to the SEC. The company declined to reveal the value of the issue, saying that it wanted to see how strong investor demand would be.

ADR's are share certificates representing shares quoted on another exchange, in Fiat's case Milan, which are traded between US investors. Representative ADR's will be issued for all categories of Fiat's listed shares – ordinary, savings and privileged.

Currently, the only foreign bourses quoting Fiat stock are Frankfurt and Paris. Fiat said it was studying the possibility of a London listing.

Italy proposes Ecu500m bill offering

THE ITALIAN Treasury plans an Ecu500m bill offering of November 1989 bills. The issue is priced at par, and tenders have to be in by next Tuesday, Reuter reports.

In keeping with Treasury policy, the issue does not carry indicated yields but the gross yield at the auction cannot be more than 9 per cent, the Treasury said.

The Treasury's last BTE offering was for Ecu750m in August, when the 368-day bills were assigned at a gross yield of 8.93 per cent and 7.81 per cent net.

The Treasury's auction of L3,500bn of five-year, 12.5 per cent notes was 2.4 times oversubscribed.

The bank sold the notes at 100.20 for a yield of 12.5 per cent or 11.18 per cent net of withholding tax. This was down from the 11.47 per cent on the five-year notes sold at the beginning of November.

The Bank of Italy used for the first time an auction system for the note sale. Previously, assigned notes on a pro-rated basis. Under the auction system, it assigns the notes to the highest bidders while applying the terms of the marginal bidder.

The Treasury felt it necessary to change the tender system because the past few note sales had been heavily oversubscribed.

Investors requested L7,764bn of notes. The bank awarded the public L3,370bn and took up L130bn for its own account.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	−0⅛	−0¼	9.57
Amer. Brands 8⅞ 92	150	†95½	96	0	+0⅛	10.29
A/S Eksportfinans 7⅝ 93	100	†93	93½	0	−0⅛	9.35
A/S Eksportfinans 7¼ 92	150	94⅛	94⅝	0	0	9.35
Barc. Bk. Fin. 10¼ 89	200	†100⅞	101⅜	0	+0⅛	9.07
B.F.C.E. 7 92	150	†93¼	93¾	−0⅛	−0¼	9.30
British Telecom 7⅝ 96	250	90⅜	90⅞	0	−0⅛	9.35
Cal.Natl.Telecom 8½ 93	160	†96¼	96¾	0	+0⅛	9.52
Canada 9 96	1000	98⅞	99⅜	−0⅛	−0¼	9.15
Canadian Pac 10¼ 93	100	†102½	103½	0	−0¼	9.87
C.C.C.E 7¼ 91	113	†94½	95	0	+0⅛	9.24
C.C.C.E 9¼ 95	300	99	99⅜	−0¼	−0⅜	9.42
C.N.C.A 9⅛ 93	150	†99½	100	−0¼	−0⅜	6.43
Credit Lyonnais 9 91	200	99¼	99¾	0	0	9.21
Credit National 8¼ 93	200	95⅞	96⅜	−0⅛	−0⅜	9.33
Credit National 7⅞ 92	100	94⅜	94⅞	0	−0⅛	9.24
Credit National 7¼ 91	150	94½	95⅛	−0⅛	−0⅛	9.27
Dai-Ichi Kan 9⅜ 92	150	100½	101⅛	−0⅛	−0⅛	9.37
Denmark 7⅛ 92	500	93½	94	0	−0¼	9.39
E.E.C. 7 91	100	94⅜	94⅞	0	+0⅛	9.09
E.E.C. 7¼ 93	250	93	93½	−0¼	−0¼	9.20
E.E.C. 8 90	350	98	98⅜	−0⅛	−0⅜	9.20
E.I.B. 7⅝ 93	100	93⅝	94	−0⅛	−0⅜	9.25
E.I.B. 9⅛ 97	150	†99½	100	−0⅞	−0⅞	9.40
Elec.De France 9 98	200	96⅝	97⅛	−0⅛	−0⅜	9.50
Finland 7⅞ 97	200	90⅝	91	−0⅛	−0⅝	9.56
Finland 7½ 93	200	93	93½	−0⅛	−0⅛	9.29
Finn.Exp.Cd. 8½ 92	200	97⅜	97⅞	−0⅛	−0⅜	9.33
Ford Motor Credit 8 91	250	96¼	97¼	−0⅛	+0⅛	9.48
Gen Elec Credit 10¼ 00	200	100⅛	100⅝	0	−0⅛	10.17
G.M.A.C. 8 89	250	98⅞	99⅜	0	–	9.09
Gen.Mtrs.Corp. 9⅛ 92	200	99¼	99¾	0	+0⅛	9.26
Halifax BS 9½ 93	200	†99⅛	99⅞	−0⅛	−0⅜	9.58
IBM Credit Corp. 8⅞ 91	250	99⅛	99⅝	0	−0⅛	9.12
Italy 9 90	1000	99⅞	100⅜	−0⅛	+0½	8.90
L.T.C.B of Japan 8 91	100	96½	97	0	−0⅛	9.37
L.T.C.B. of Japan 8 97	200	90¼	90¾	−0⅛	−0⅜	9.73
Mercds-Benz Cd. 8½ 95	100	†95	95½	0	−0⅛	9.52
Metropolis Tokyo 9½ 93	200	100¾	101¼	0	−0⅛	9.18
Morgan Guaranty Tst. 7 90	150	96⅞	97⅜	0	+0⅛	9.36
Norway 8¼ 93	500	98¼	98¾	−0⅛	−0⅛	9.16
Pepsico Inc 7½ 93	200	†92⅛	92⅝	−0⅞	−0⅜	9.52
Portugal 8¼ 91	300	97	97½	0	0	9.57
Prudential Crp. 8¾ 94	125	97½	98	0	−0⅛	9.26
Qantas Airways 10⅜ 95	140	103⅜	104	−0¼	−0⅜	9.59
Saskatchewan 10⅜ 92	100	103⅜	104	−0⅞	−0⅜	9.38
State Bk S Aust 9¼ 93	100	98¾	99⅜	−0⅛	−0½	9.52
Swed Exp Cred 7¼ 91	100	†94½	95	+0⅛	−0¼	9.28
Swed Exp Cred 10 92	100	†101½	102	0	+0⅛	9.36
Sweden 7 91	250	94½	95	−0⅛	−0¼	9.14
Sweden 7 92	250	†93¾	94¼	0	0	9.20
Sweden 8¼ 96	200	96⅜	96⅞	−0⅛	−0⅜	9.39
Sweden 8½ 92	200	†98⅜	98⅞	−0⅛	−0¼	8.92
Victorian Rep 11⅝ 92	150	106	106½	−0¼	−0⅝	9.38
World Bank 7 92	300	†93⅞	94⅜	−0⅛	−0⅜	9.18
World Bank 9 97	300	97⅝	98⅛	−0¼	−0½	9.35
Yasuda Trust Fin 8½ 93	100	95¾	96¼	−0⅛	−0½	9.59

Average price change... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	*101⅝	102⅛	0	+0⅛	5.60
Avis Fin.SVS 5¾ 92	100	*†100¼	100¾	0	−0⅛	5.69
Bank of Tokyo 5¾ 93	100	*†101¼	101¾	0	+0⅞	5.34
Central BK. Turkey 7 92	200	*†104	104½	0	−0¼	5.74
Commerzbank o/s. 5⅛ 93	300	*†100	100½	0	0	5.30
Degussa Int. 6⅛ 97	200	*100⅜	101⅛	0	−0⅛	5.95
E.I.B 5½ 98	150	*95⅛	96⅛	0	+0¼	6.06
E.I.B 6 97	300	*99	99⅜	0	−0¼	6.09
E.I.B. 6¼ 96	300	*100⅜	101⅛	0	+0⅛	5.99
E.I.B. 6¼ 97	400	*99⅞	100⅛	0	−0⅝	6.16
E.I.B. 6¾ 95	300	*104½	105¼	0	0	6.00
Euro.Coal&Steel 5⅞ 97	175	*98⅜	99¼	0	0	6.05
Eurofima 6¼ 96	100	*101	101¾	0	+0⅝	6.01
Elec De France 5⅞ 97	300	*98⅝	99⅜	0	+0⅛	5.90
Forsmark Kraft. 5⅛ 93	200	*98⅛	98⅞	0	0	5.92
I.A.D.B. 6 97	200	*99⅛	99⅝	0	+0⅛	6.07
Japan Dev. Bk. 5⅝ 95	300	*98¼	98⅞	0	0	5.65
Japan Finance 5⅞ 97	100	*97⅛	97⅞	0	−0⅛	6.14
Ireland 6½ 97	300	*101	101½	0	0	6.30
Korea Dev BK 6⅛ 93	100	*102	102¾	0	−0⅝	6.00
Malaysia 6¼ 94	150	*99⅞	100⅛	0	0	6.29
Nat. West BK. PLC 6 98	300	*97⅛	98⅛	0	−0⅛	6.28
Nippon Telg.&Tel. 6 95	400	*101	101½	0	0	6.01
Oesters. Kontbk. 5 93	300	*98¾	99¼	0	+0⅛	5.23
Portugal 5⅝ 92	150	*100⅝	101⅜	0	0	5.44
Portugal 6⅛ 95	150	*102⅞	103⅜	0	+0⅝	6.06
Privatbanken 5⅛ 93	150	*97⅞	98⅝	0	−0⅛	5.71
Royal Insurance 5½ 92	300	*†100⅝	101⅛	0	−0⅛	5.20
Soc Cent Nuclear 7¼ 95	150	*103⅞	104⅜	0	+0⅛	6.43
Turkey 6½ 95	300	*97⅛	98	0	0	6.93
Westb. Finance 5 93	200	*†99	99¼	0	0	5.23
World BK. 6⅛ 97	600	*100⅞	101	0	+0⅛	6.11

Average price change... On day 0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5 96	150	†101⅛	101¾	+0⅛	−0⅛	4.74
Asfinag 5 03	100	†101⅝	102⅛	+0⅛	+0⅛	4.81
B.F.C.E. 4½ 98	200	†98⅝	99	0	0	4.64
B.M.W. Fin.Neth. 5 13	150	†96½	97	+0⅛	−0⅛	5.24
Britannia B/S. 4⅝ 94	100	†97½	97⅞	0	−0⅛	4.74
CIR. Int. W/W 3 93	125	†101	101¼	−0⅞	−1⅜	2.74
Credit Lyonnais 4¾ 00	100	†98	98¼	−0¼	−0¼	4.96
E.I.B 4⅝ 98	150	†99¼	99¾	−0⅛	−0⅛	4.69
Fletcher Chall. 4⅞ 98	150	†96	96½	0	+0¼	5.39
Kobe City 4⅝ 98	150	†99¼	99½	+0⅛	0	4.70
Leeds Perm. B/S. 4⅛ 93	200	†98½	98¾	0	+0¼	4.47
Malaysia 5⅛ 96	100	†98½	99	0	+0⅜	5.42
Maxwell Comm.Crp. 5 95	150	†100⅝	101	0	+1	4.84
Nationwide Ang.B/S. 4 93	200	†97	97¼	−0¼	−0⅛	4.71
Nippon Telg.&Tel. 4¼ 95	200	†98¾	99	0	0	4.44
Oesters.Ktbk. 5 03	75	†100	101	0	−0⅛	4.95
Rep.National Bk. 4 93	150	†96¾	97½	−0¼	−0⅛	4.33
Thailand 4⅞ 95	200	†96⅜	96⅝	+0⅛	+0⅛	5.26
World Bank 5 03	150	†101⅛	101¾	−0⅛	+0⅛	4.84

Average price change... On day 0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅝ 92	55	102⅝	102⅞	0	+0⅛	4.62
Belgium 4⅝ 94	45	98¼	99	0	+0⅛	4.86
Canada 4½ 92	80	99⅜	99⅝	+0⅛	+0⅛	4.52
Elec. De France 5⅛ 96	20	101⅛	101⅝	+0⅝	+0⅞	4.80
Ireland 5⅛ 93	30	100⅛	100⅝	−0⅛	+0⅛	5.02
Norway 5⅛ 95	50	101⅛	101⅝	−0⅛	+0⅛	4.89
Rep. of Italy 5¼ 92	150	103½	103⅞	[illegible]	[illegible]	4.59
Sweden 4⅝ 93	50	99⅝	99⅞	−0¼	+0⅛	4.68
World Bank 5½ 92	50	103¼	103½	−0⅛	+0⅛	4.52

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS. 10¼ 93 £	50	98⅛	98⅝	−0⅛	−0¼	10.68
Alg. Bk. Ned. 5⅝ 92 FL	150	98⅞	99¼	−0⅝	+0⅛	5.83
Alg. Bk. Ned. 5⅝ 93 FL	200	99	99½	−0¼	+0¼	5.94
Amro Bank 6⅛ 92 FL	150	100⅝	101⅛	−0⅛	−0⅛	5.93
Aust.Ind.Dev. 12⅞ 93A$	100	98⅜	98⅞	0	−0¼	13.23
Barc. Bk. 10¼ 97 £	250	96⅞	97⅜	−0⅛	−0⅜	10.76
BP Capital 9¼ 93 £	100	96⅛	96⅝	0	−0⅛	10.79
British Airways 10 98 £	100	94⅝	95⅛	−0⅛	−0⅜	10.88
Buhrmann-Tet. 6⅜ 93 FL	100	100⅝	101⅛	0	+0⅛	6.14
C.I.B.C. Mort. 10⅜ 93 C$	100	†99⅞	100⅜	0	−0¼	10.68
Comm.Bk.Aust. 12⅝ 93A$	100	97⅛	97⅝	−0⅛	+0⅛	13.39
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅞	101⅜	+0⅛	−0⅛	5.96
Coop.Ctr.Rabo.6 92 FL	200	100⅜	100½	−0¼	−0⅛	5.87
Denmark 7⅛ 92 ECU	100	†103	103½	0	−0⅛	6.57
Dixons 11 95 £	90	†97⅛	97⅝	−0⅛	−0⅜	11.60
Deut.Bk.Aust. 12⅝ 95 A$	70	†99⅞	100⅜	+0⅛	−0⅛	12.68
Eastman Kodak 13 90 A$	100	97⅛	97⅝	−0⅛	−0⅛	14.68
E.I.B. 7 96 LFr	100	†97⅞	98⅜	0	0	7.31
Elec.France 10⅛ 95 C$	125	†99⅞	100⅜	0	−0⅛	10.22
Euratom 7⅞ 97 ECU	145	†96⅞	97⅜	+0⅛	+0⅛	7.84
Fed.Bus.Dv.BK.9⅞ 92 C$	75	†98⅛	98⅝	0	−0⅛	10.28
Ford Cr.Can.10⅛ 93 C$	100	†100⅝	101⅛	0	−0⅛	10.45
Gillette Can. 9⅝ 93 £	70	94⅛	94⅝	−0⅛	−0⅛	11.21
G.M.A.C. 9⅞ 93 C$	150	†97⅛	97⅝	0	−0⅛	10.41
G.M.A.C. 9⅛ 92 C$	75	†95¼	96¼	0	0	10.73
G.M.A.C Aus.Fin.14 90 A$	50	99½	100	−0⅛	−0⅜	14.03
Halifax BS 10⅜ 97 £	100	96⅞	97¼	−0⅛	−1	10.92
Imp Chem Inds 10 03 £	100	95	95½	−0⅛	−0⅛	10.64
Inv.Industry Int.10 93 £	60	96⅛	96⅝	−0⅛	−0⅛	11.05
Lloyds Bank 10⅛ 98 £	150	94⅞	95⅜	−0⅛	−0⅜	11.12
Montreal Tst.10⅛ 93 C$	100	†100⅛	100⅝	0	−0⅛	10.61
Nat. West. Bk.13⅛ 92 A$	50	†99⅛	99⅝	−0⅛	−0⅛	13.29
Nationwide BS 10⅛ 93 £	75	96⅛	96⅝	−0⅛	−0⅛	11.18
Ned.Midd.Bank 6 92 FL	150	100	100⅜	0	0	5.90
New Zealand 9½ 93 £	100	94⅞	95⅛	−0⅛	−0⅛	10.94
New Zealand 7⅞ 93 ECU	200	†100⅝	101	−0⅛	−0⅛	7.52
Oesters.Ktbk.13⅜ 94 A$	75	102	102½	+0⅛	0	13.01
Phillips Gloeil. 6 93 FL	300	100⅛	100⅝	0	−0⅛	5.87
Prudential Fin.9⅝ 07 £	150	90⅛	90½	−0⅛	−0⅜	10.58
Royal Bk.Scot.10⅝ 98 £	125	96½	97	−0⅛	−0⅛	11.23
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	0	0	10.33
S.D.R. 7⅛ 95 ECU	90	*†99⅞	100⅛	0	−0⅛	7.74
World Bank 5⅜ 92 FL	100	99⅞	100⅜	−0⅛	0	5.82
World Bank 13⅛ 92 A$	100	†100⅞	101⅜	0	0	13.04
Zentrspk. 13¼ 93 A$	75	98⅞	99⅜	−0⅛	−0⅛	13.55

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.76	99.81	21/01	10.99
Belgium 91 US	0	100.18	100.27	21/02	9
Britannia 5 93 £	0⅛	99.95	100.00	10/01	12.12
Chase Manhattan Crp.91 US	−0⅛	99.58	99.67	22/02	8.94
Citicorp 98 US	+0⅛	97.37	97.62	30/11	8.94
Credit Foncier 98 US	.063	99.71	99.81	20/10	5¼
EEC 3 92 DM	0	101.11	101.21	22/02	5.63
Halifax BS 94 £	.1	99.95	100.00	8/02	12.29
Inst. In Industry 94 £	0	100.07	100.17	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.03	100.08	13/01	10.44
Midland Bank 01 £	.1	96.00	97.00	11/02	11.41
Milk Mkt.Brd. 5 95 £	0⅛	99.87	99.93	30/12	12.06
New Zealand 5 97 £	.07	100.17	100.27	18/11	11.62
New Zealand 5 01 US	0	99.81	99.91	4/02	8.62
State Bk. Nsw. 98 US	.188	100.36	100.46	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.94	99.99	13/01	12.12
Woolwich 5 95 £	0⅛	99.92	99.97	21/11	11.62

Average price change... On day −0.03 on week −0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	101	102	−0⅛	22.48
Alco Health 6⅛ 01 US	†7/86	26.25	105⅛	107½	+0½	−2.35
Amer. Brands 7⅛ 02 US	9/87	56.7	103¼	104¼	+0⅛	12.85
Ashikaga Bank 2⅛ 02 US	4/87	987.	149	150	−2⅛	8.87
Asics 5 92 DM	*12/83	472.7	195½	197	0	1.72
CBS. Inc. 5 02 US	†4/87	200.	91⅞	92⅞	−0⅛	8.69
Fujitsu 3 99 US	5/84	1106.	242	243	+6⅞	3.04
Land Secs. 6¾ 02 £	6/87	6.72	97¼	98¼	+0⅛	14.84
MCA Inc 5⅛ 02 US	9/87	69.62	80⅛	81⅛	−0½	25.71
Minolta Camera 2⅛ 94 DM	*2/86	1004.	97	98½	0	25.73
Mitsubishi Bk.1⅛ 02 US	9/87	3157.	132⅝	134⅝	+0⅛	3.65
Mitsui Trust 2⅛ 01 US	10/86	1903.	139⅛	140⅛	−4⅛	1.18
Next Plc 5⅛ 03 £	11/87	4.3	99⅛	100⅛	+0⅛	159.36
Nichi Nog.Bk.2⅞ 03 US	4/88	804.	116⅛	118⅛	−0⅛	7.24
Onoda Tateishi 2⅛ 02 US	4/87	1318.	191⅛	192½	+7⅛	1.91
Primerica 5⅛ 02 US	4/87	46.75	64⅞	65⅞	+0⅛	57.63
Ranks Hovis 4¼ 03 £	1/88	3.5	110	111	+0⅛	8.03
Redland 7¼ 02 £	1/87	5.4	91⅛	92⅛	−0⅛	19.10
Saatchi&Saat.6⅛ 03 £	†10/89	4.82	100	101	+0½	26.63
Texas Inst. 2⅞ 02 US	9/87	82.87	71⅛	72⅛	−0⅛	65.73
W.R. Grace 6¼ 02 US	9/87	42.12	82⅛	83⅛	0	34.88

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Fannie Mae extends note issue

By Norma Cohen

FEDERAL National Mortgage Association (Fannie Mae), the US mortgage concern, has increased its global medium-term note programme to $2bn, having issued all securities available under a $1bn scheme launched a year ago.

Mr Gary Perlin, treasurer of the shareholder-owned government-chartered agency, said that about only 25 per cent of the securities were issued as Euronotes, suggesting that while investor appetite is growing, MTNs have some way to go before they are widely accepted in Europe. While MTNs are a well-established market in the US, they have not developed as a fully-fledged market abroad.

Fannie Mae had sought a global programme in order to avoid saturating the domestic markets with its securities. In the US, investors are willing to pay a premium of 10 to 15 basis points in exchange for the flexibility available in the specially tailored MTNs. But the agency found European investors unwilling to pay that same premium, and the Euro-MTNs yields are roughly in line with those of other sovereign borrowers, Mr Perlin said.

Still, the agency has found that the ability to expand the investor base justifies the slightly higher financing costs, Mr Perlin said.

Investors' concerns about liquidity may account for the slightly wider spreads over Treasuries demanded in the Euromarkets, Mr Perlin said. However, the four agents for the programme are committed to providing secondary liquidity and say their bid/offered spreads are 5 to 10 basis points, roughly in line with those of other Eurobonds.

The four firms are Crédit Suisse First Boston, Merrill Lynch Capital Markets, Salomon Brothers and SG Warburg.

But Fannie Mae's MTNs may have even less appeal to European investors because of the unusual "targeted" form of the securities. The agency, because of its quasi-governmental status, is barred by the US Treasury from issuing the more typical bearer bonds on which no withholding tax is collected.

To allow government agencies to issue bearer bonds would amount to tacit acceptance of tax evasion schemes, the Treasury has said.

On targeted bonds, buyers must certify that they are exempt from paying US taxes, a formality which many regard as tedious.

Mr Perlin said that the Euro-MTNs contain an exchangeability feature allowing them to be converted into the US version of the securities — a feature designed to promote liquidity. While more than half of Fannie Mae's conventional "targeted" Eurobond was converted back into US book-entry form, none of the MTNs have been converted, Mr Perlin said.

UBF launches $150m four-year straight

By Dominique Jackson

THE Eurobond market was in some disarray yesterday as dealers tried to assess the implications for the market of yesterday's US trade data. The fall in September's deficit to $10.46bn was broadly in line with expectations and failed to move the market significantly.

Dollar-denominated bonds did drift off slightly following the data in line with an earlier bearish trend in the US Treasury market, although dealers detected little large-scale selling.

Nomura International went ahead with the launch of a $150m four-year dollar straight for Union Bank of Finland, which came to the market at an initial yield margin of 52 basis points over comparable Treasury issues.

Analysts said bond market activity in the near term was more likely to be affected by the fate of the dollar on the foreign exchanges and by the success of the upcoming US long bond auction, when some Japanese accounts are expected to be active buyers with the dollar at current levels.

While the Union Bank of Finland issue emerged rather too late in the day to get an accurate measure of market reaction, the lead manager said the issue's attraction would be further enhanced by the recently formalised triple-A rating of the borrower.

Elsewhere, primary market activity was subdued, although the Ecu-denominated sector saw a further issue, a Ecu250m three-year deal for a unit of Swiss foods group Nestlé, the largest issue to date in the sector for a corporate borrower.

Lead manager Bankers Trust International said many of the more successful recent issues in the composite currency had been the larger ones while analysts said the move towards bigger deals signified that the sector was becoming increasingly sophisticated.

At launch, it was yielding 7.37 per cent on an annual basis which compared with 7.45 per cent on the middle tranche of the large European Community deal launched last week and was thus considered fairly tight.

However, it appeared to meet strong demand, the yield margin soon narrowed and the issue remained comfortably within its total fee level all day.

The name of the borrower was a natural favourite with the Swiss-based and French investors, who have been enthusiastic buyers of Ecu this year.

Poor name recognition overriding credit considerations was one factor cited by dealers in the case of this week's Ecu deal for the Halifax Building Society, which was still languishing yesterday despite fairly generous terms and the renowned capabilities of lead manager Banque Paribas Capital Markets in the sector.

The Nestlé issue also offered added protection against the kind of event risk which has dogged issues by similar corporate borrowers in other sectors of the market in the form of an investor put at par if the parent company should cease to own at least 51 per cent of the issuer. Bankers Trust also managed to incorporate a distinct but equally effective protection against event risk in a novel deal for US supermarket chain Stop & Shop last week.

More houses now appear to be taking investor worries about possible takeovers into consideration as was shown by last week's £150m 25-year deal for Blue Circle Industries through Barings, which included in its covenants specific provisions for the event that another company should take control of the borrower.

Postipankki brought the first Finnish markka issue since October, a FM400m issue for Nordic Investment Bank which was reportedly seeing strong foreign demand.

In Switzerland, Royal Trust Bank (Switzerland) brought the first Japanese equity-linked deal in that market for some time. The SFr50m deal for software engineering service Meitec was trading bid at a discount of 1%, around the level of its fees to co-managers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Union Bank of Finland◆	150	9½	101½	1992	1⅞/1⅛	Nomura Int.
ECUs						
Nestle Holdings◆	250	7⅞	101⅞	1991	1⅞/⅞	Bankers Trust Int.
SWISS FRANCS						
Meitec Corp(a)§★	50	(½)	100	1993	1½	Royal Trust Bank(Switz)
FINNISH MARKKA						
Nordic Investment Bank◆	400	9⅝	100½	1994	1⅞/1⅛	Postipankki

§Convertible. ◆Final terms. a) Indicated put option 31/3/91 at 105 to yield 3.895%.

CSFB to acquire Buckmaster business

By Norma Cohen

CREDIT Suisse First Boston, as part of a planned merger with its US affiliate, will acquire the equity market-making, options dealing, institutional sales and research activities of Crédit Suisse Buckmaster and Moore, currently 85 per cent owned by Crédit Suisse.

The price of the deal was not disclosed although the new parent company, to be named CS First Boston, is expected to make a substantial infusion of capital into the subsidiary.

Crédit Suisse Buckmaster and Moore has some 450 employees, about a third of which will form the new subsidiary. No redundancies are expected.

The acquisition will give CS First Boston's European arm, Financière Crédit Suisse First Boston, a presence in UK equity market making. It will also expand the firm's institutional sales and research capacity.

Crédit Suisse will retain the remainder of its Buckmaster and Moore subsidiary, which it acquired in April 1986 in the run-up to stock market deregulation in the UK. Crédit Suisse intends to build up that portion into an international fund management business, including the management of UK investments for non-resident investors.

In October, after months of speculation, First Boston of the US and CSFB agreed on a $1.1bn merger which envisaged the purchase of all publicly traded shares. The new firm will consist of three arms, each one responsible for a separate geographic region.

Banesto CP issue

BANCO Espanol de Credito is to issue $300m of Eurocommercial paper through its subsidiary Banesto Issuances. The issue will be in denominations of $500,000 for non-residents and $30,000 for residents.

Dealers are Goldman Sachs International, Merrill Lynch International and Swiss Bank Corporation Investment Banking. First National Bank of Chicago in London will act as agent.

US 30-year yields reach 9.1% as dollar declines

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds fell yesterday as the dollar came under strong selling pressure again after the briefest of respites following the release of US trade figures for September.

By late trading, long-dated maturities stood as much as ¾ point lower and the yield on the 30-year benchmark issue rose to 9.1 per cent, a rise in yield which may be necessary to attract overseas demand at today's auction of long bonds at a time when currency risks look enormous.

The trade deficit came in at a seasonally adjusted $10.46bn including freight and insurance costs compared with a upward revised shortfall of $12.27bn in August.

This was in line with expectations but still provides evidence that the underlying progress in reducing the deficit has now ground almost to a standstill.

The dollar blipped up briefly immediately following the trade news.

However, it soon fell back again despite reports that the US Federal Reserve had been buying dollars throughout the day. By late trading, the dollar stood at Y122.25, its lowest level since December 31, 1987 and at DM1.7165, a six-month low against the D-Mark.

Bonds currently face an array of negatives.

Every economic indicator released for October shows a robust economy, including the 0.9 per cent jump in retail sales reported on Tuesday.

GOVERNMENT BONDS

Yesterday, figures were released showing a 0.2 per cent rise in the industrial capacity usage rate which also undermined bonds.

There has been concern since the last set of strong employment figures that the Fed will tighten again to dampen down growth given signs of a resurgence in consumer demand which can only impede progress on the deficit.

However, the weakness of the dollar may induce a tightening simply on currency grounds rather than domestic growth.

AUSTRALIAN government bond prices fell sharply, particularly among short-dated issues, after news of an October trade deficit of A$1.68bn, the second worst on record.

Financial markets had been expecting a more modest deficit of A$1.1bn to A$1.3bn, and the news was greeted with some near panic selling. And, despite assurances from Australian Treasurer Mr Paul Keating that monetary policy is sufficiently tight, expectations are mounting that the key rediscount rate will have to be raised to 15 per cent today.

There were two successive increases in the rediscount rate a week ago.

At the Australian Treasury's auction of 90-day bills, rates rose to 14.856 per cent from 14.677 per cent the week before while 180-day bills yielded an average rate of 14.63 per cent from 14.50 per cent last week.

On Tuesday, the Treasury held only its second auction of long-dated stock this year, with the current budget surplus limiting the need for financing. Ironically, dealers noted significant foreign interest in the auction, partly as an alternative to the US and Canadian government bond markets.

Meanwhile, the Australian Bureau of Statistics said that foreign investors bought a net A$803m of federal-government bonds in October, the largest amount in six months.

Foreigners' net purchases in October compare with net sales of A$153m in September and net sales of A$404m in October 1987.

JAPANESE government bond yields rose sharply in Tokyo amid increasing nervousness about a possible rise in the US discount rate. While technical factors have been pushing the closely-watched Fed funds rate up sharply all week, Japanese investors fear the move is engineered by monetary authorities seeking to support the dollar.

Japanese bond prices have been a key beneficiary of the dollar's recent weakness against the yen.

But after release of US Trade data showing a current account deficit of $10.46bn, in line with projections, yields subsided as dealers bought back bonds sold earlier.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-18	-4/32	10.41	10.33	9.99
		8.750	9/97	93-14	-8/32	9.88	9.74	9.60
		9.000	10/08	96-28	-6/32	9.12	9.06	8.99
US TREASURY*		9.250	8/98	101-12	-15/32	9.03	8.95	8.79
		9.125	5/18	100-17	-18/32	9.07	9.02	8.87
JAPAN	No 105	5.000	12/97	102.5991	-0.165	4.59	4.65	4.76
	No 2	5.700	3/07	108.0425	+0.260	4.87	4.92	5.03
GERMANY		6.750	8/98	102.9000	+0.050	6.36	6.35	6.42
FRANCE	BTAN	8.000	10/93	97.7049	-0.057	8.56	8.49	8.57
	OAT	8.500	5/98	103.9000	-0.025	8.86	8.78	8.87
CANADA*		10.250	12/98	100.6250	-0.250	10.15	10.11	9.81
NETHERLANDS		6.750	10/98	102.5500	-0.080	6.47	6.40	6.30
AUSTRALIA		12.500	1/98	102.7707	-0.364	11.98	11.98	11.93

London closing. *denotes New York closing
Yields: Local market standard Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Nov 16 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Nov 15 Index No.	Mon Nov 14 Index No.	Fri Nov 11 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	816.37	+1.3	10.80	4.15	11.43	23.79	846.24	802.12	806.52	666.61
2 Building Materials (28)	1016.42	+0.3	12.35	4.41	9.97	28.90	1012.98	1018.79	1017.28	883.27
3 Contracting, Construction (38)	1564.36	+0.4	12.32	3.88	10.57	45.10	1557.80	1552.01	1572.79	1248.17
4 Electricals (11)	2565.12	+0.5	9.38	4.76	13.28	76.55	2553.65	2353.71	2365.91	1823.57
5 Electronics (30)	1812.25	+0.6	9.86	3.45	13.12	45.21	1733.15	1719.97	1728.17	1458.72
6 Mechanical Engineering (56)	429.13	+0.6	10.45	4.20	11.74	13.34	426.40	423.87	426.68	325.16
8 Metals and Metal Forming (7)	507.19	+0.3	9.59	3.87	12.90	13.09	505.51	504.47	512.82	383.47
9 Motors (16)	279.29	+0.2	12.05	4.83	9.61	9.00	278.73	277.21	281.88	243.82
10 Other Industrial Materials (23)	1348.19		9.22	4.35	12.64	44.87	1347.49	1337.58	1348.85	1147.19
21 CONSUMER GROUP (187)	1054.44	+0.1	9.59	3.83	13.11	25.83	1053.54	1047.51	1056.59	972.85
22 Brewers and Distillers (21)	1133.08	+0.3	10.54	3.64	11.94	23.81	1129.47	1127.94	1136.59	897.87
25 Food Manufacturing (21)	949.72	-0.1	9.92	4.80	13.58	22.16	950.82	948.19	960.55	770.85
26 Food Retailing (16)	1828.19		9.66	3.76	13.44	43.14	1828.13	1795.54	1822.50	1594.37
27 Health and Household (12)	1816.72		7.33	2.75	15.72	36.08	1817.21	1808.33	1834.18	1711.09
29 Leisure (31)	1413.83	+0.4	8.41	3.64	15.23	33.98	1407.76	1398.82	1402.27	1036.42
31 Packaging & Paper (17)	540.67	+0.3	10.39	4.15	11.97	15.75	539.27	536.99	545.69	456.98
32 Publishing & Printing (19)	3412.58	+0.1	8.78	4.21	14.19	104.19	3409.99	3392.94	3402.60	3137.14
34 Stores (34)	729.58	+0.1	11.52	4.64	11.43	21.82	730.17	724.02	727.98	828.05
35 Textiles (16)	583.46	+0.3	12.81	5.51	8.90	16.39	582.16	579.52	585.27	583.76
40 OTHER GROUPS (92)	896.72		11.23	4.52	10.85	23.27	897.16	894.62	900.11	808.09
41 Agencies (19)	1069.23	+0.4	8.24	2.68	15.27	20.72	1064.99	1063.81	1077.21	951.84
42 Chemicals (22)	1032.52	+0.2	12.35	5.10	9.72	37.98	1030.79	1030.46	1040.46	978.31
43 Conglomerates (12)	1235.46	-0.5	10.63	4.61	10.77	25.26	1241.12	1257.18	1248.41	1075.06
45 Shipping and Transport (12)	1936.36		12.26	4.79	11.60	50.63	1936.80	1932.74	1942.37	1634.90
47 Telephone Networks (2)	972.09	-0.1	11.02	4.58	11.57	28.38	973.07	972.86	971.55	873.90
48 Miscellaneous (25)	1290.13	+0.4	11.77	4.51	9.67	38.27	1281.94	1198.13	1297.56	1123.11
49 INDUSTRIAL GROUP (488)	964.85	+0.4	10.36	4.10	11.96	25.28	961.32	956.73	964.18	856.47
51 Oil & Gas (12)	1721.72		18.93	6.46	21.72	76.79	1722.14	1723.82	1728.61	1623.96
59 500 SHARE INDEX (500)	1029.33	+0.3	10.44	4.42	11.93	29.60	1026.11	1021.95	1029.63	921.54
61 FINANCIAL GROUP (124)	685.28	+0.4		5.22		24.76	682.85	679.05	680.69	686.54
62 Banks (8)	688.38	+0.4	20.97	6.62	6.39	31.13	666.84	661.97	657.71	616.83
65 Insurance (Life) (8)	948.43	-0.4		5.59		39.82	952.72	947.19	951.76	899.69
66 Insurance (Composite) (7)	516.75	-0.1		5.84		24.04	517.46	518.38	512.80	475.47
67 Insurance (Brokers) (7)	894.39	-1.7	9.97	7.22	12.59	45.86	909.53	902.76	907.61	785.36
68 Merchant Banks (11)	348.72	+0.1		3.94		10.41	348.39	343.27	345.27	335.47
69 Property (52)	1252.72	+0.4	5.56	2.65	23.81	19.32	1242.40	1234.47	1259.81	917.43
70 Other Financial (31)	360.93	+0.2	9.88	3.52	12.61	12.04	360.12	359.84	365.65	374.68
71 Investment Trusts (77)	929.76	+0.1		3.16		18.15	928.43	923.28	933.40	790.70
81 Mining Finance (2)	567.98	-1.0	10.76	3.68	10.35	15.67	573.44	569.45	566.58	378.80
91 Overseas Traders (8)	1373.37	-0.3	8.67	4.61	13.37	45.98	1383.77	1382.51	1408.45	847.93
99 ALL-SHARE INDEX (711)	944.63	+0.3		4.58		27.96	941.97	937.87	943.42	836.09

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 15	Nov 14	Nov 11	Nov 10	Nov 9	Year ago
FT-SE 100 SHARE INDEX ♦	1807.3	+5.8	1824.4	1806.8	1802.3	1794.5	1802.7	1826.2	1825.7	1663.7

FIXED INTEREST

PRICE INDICES		Wed Nov 16	Day's change %	Tue Nov 15	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.38		119.37	-	10.20
2	5-15 years	136.53	-0.02	136.49	-	11.64
3	Over 15 years	147.43	-0.04	147.49	-	13.10
4	Irredeemables	169.09	-0.13	169.31	-	13.38
5	All stocks	133.52	-0.07	133.61	-	11.43
	Index-Linked					
6	5 years	130.69	-0.02	130.72	-	1.81
7	Over 5 years	128.19	-0.19	128.34	-	2.96
8	All stocks	128.09	-0.17	128.32	-	2.85
9	Debentures & Loans	118.27	-0.12	118.41	-	10.53
10	Preference	87.33	+0.22	87.13	-	6.03

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 16	Tue Nov 15	Year ago (approx.)
	British Government				
1	Low	5 years	9.89	9.87	8.37
2	Coupons	15 years	9.37	9.35	9.07
3		25 years	9.01	9.00	8.96
4	Medium	5 years	10.28	10.25	9.01
5	Coupons	15 years	9.60	9.58	9.24
6		25 years	9.25	9.24	9.16
7	High	5 years	10.41	10.39	9.06
8	Coupons	15 years	9.72	9.70	9.36
9		25 years	9.29	9.28	9.17
10	Irredeemables		8.92	8.91	8.81
	Index-Linked				
11	Inflation rate 5%	5yrs	2.89	2.88	2.54
12	Inflation rate 5%	Over 5yrs	3.61	3.60	3.93
13	Inflation rate 10%	5yrs	1.82	1.80	2.78
14	Inflation rate 10%	Over 5yrs	3.46	3.44	3.97
15	Debs &	5 years	11.15	11.13	10.61
16	Loans	15 years	10.93	10.92	10.59
17		25 years	10.72	10.70	10.59
18	Preference		10.24	10.26	10.67

♦ Opening index 1806.0; 10 am 1810.9; 11 am 1812.6; Noon 1812.8; 1 pm 1822.8; 2 pm 1820.4; 3 pm 1815.6; 3.30 pm 1816.1; 4 pm 1810.4
(a) 1.42pm (b) 9.00am. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
CONSTITUENT CHANGES: Pilgrim House (4) has been deleted. Capital Radio (29) and Merivale Moore (69) have been inserted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	68	13
Corporations, Dominion and Foreign Bonds	2	15	34
Industrials	452	295	828
Financial and Properties	173	102	392
Oils	23	19	63
Plantations	1	-	11
Mines	27	46	116
Others	86	58	101
Totals	794	604	1,558

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											
93	F.P.	8/12	98	93	SMAC Group	96	-1	R2.1	3.4	2.9	11.7
§20	F.P.	25/11	26	23	§SWP Group	24		R0.5	2.3	2.8	15.7
§80	F.P.	3/11	126	85	§Sunset & Vine 5p	126	+1	L2.4	3.9	2.5	15.7
§145	F.P.	-	161	146	§Swallowfield 5p	158		R5.0	2.6	4.2	10.5
†	10p	-	15	14½	*Whitegate Leisure 20p	14½		-	-	-	-
-	F.P.	-	12	6	*Do. Warrants	11½	+½	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	95p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	96p	
100.3p	F.P.	-	101p	95p	Blackwood Hodge 9pc Cm. Pf. £1	96p	+1
-	F.P.	-	103⅛	103⅛	British Sugar New 10¾ pc Deb. 2013	103⅛	
100.89	F.P.	-	103½p	100½p	Coloroll Grp 9pc Cm Rd Prf 2005 10p	100½p	
100p	F.P.	-	108p	105p	Ests & Gen 6pc (Net) Cm Cv Rd Pf £1	106p	
-	F.P.	28/10	253p	228p	Grand Met. 5.75pc Cv. Uns. Ln. 1989	246p	+8
§97.34	£30	31/1	32⅛	30	Land Securities 10pc 1st Mtg. Deb.	32⅛	
100p	F.P.	-	98p	93p	Mecca Leisure Grp. 7.25p Cv. Pf. 20p	97p	+1
-	F.P.	-	100	99⅞	N'wide Anglia 11⅛pc 6.11.89	99⅞	
§100p	F.P.	-	96p	93p	Parkfield Grp Cm Rd Pf 2010/13 £1	96p	+1
§100p	F.P.	-	107p	106p	§Quarto Grp Inc. 8¾ pc (Net) Cv Cm Pf	107p	
§99.31	F.P.	20/1	99⅛	99	TSB Group 10⅞pc Ln. 2008	99¼	
100p	F.P.	-	75p	65p	§UTC Grp 4.38pc (Net) Rd Cv Pf 1998	70p	
100p	F.P.	-	104p	101p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	103p	-1
§100p	F.P.	-	116p	109p	§Wyevale Garden Cntrs. 8.5pc Cm Pf	116p	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
360	F.P.	15/11	407	395	Anglia Secure Homes 10p	403	
30	Nil	-	2½pm	1pm	Bennett & Fountain Grp 5p	1½pm	+½
99	Nil	-	25pm	17pm	Howden Group	23pm	
255	Nil	-	48pm	35pm	Polly Peck Int'l 10p	36pm	+½
36	F.P.	9/12	49	44	§Regina Health & Beauty 2p	45	
I£32	Nil	-	9pm	8pm	Ryan Hotels Ir.5p	9pm	+1
35	Nil	-	6pm	½pm	West Trust 2½p	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings Nov 7
- Last Dealings Nov 18
- Last Declarations Feb 9
- For settlement Feb 20

For rate indications see end of London Share Service

Calls in Cowrie T, Stormgard, PE Intl, Ibstock, Charter Cons, INOCO, Wimpey, Maxiprint, Polly Peck, Regentcrest, Mountleigh, RMC, Norfolk Cap, PM.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls apr	Calls Jul	Puts Jan	Puts apr	Puts Jul
Allied Lyons (*461)	460	25	42	55	21	29	37
	500	11	23	34	46	54	60
Brit. Airways (*162)	160	9	14	21	8	10	15
	180	2½	8	11	22	24	28
Brit. & Comm. (*233)	220	20	28	32	5	12	13
	240	8½	15	20	16	19	22
	260	3½	9	13	33	34	36
B.P. (*246)	240	14½	17½	22½	5½	13	14
	260	5	7½	14	16	25	26
Bass (*798)	750	57	77	102	12	18	22
	800	25	47	70	35	37	42
Cable & Wire (*369)	360	26	38	50	12	17	21
	390	12	23	32	26	33	40
Cons. Gold (*1197)	1150	120	160	200	48	70	90
	1200	85	130	170	70	100	105
	1250	63	105	-	100	125	-
Courtaulds (*279)	280	14	23	28	13	17	22
	300	6½	15	20	26	29	34
	330	2	6½	11	53	53	55
Com. Union (*323)	300	35	41	50	3	10	13
	330	14	21	29	14	23	26
G.K.N. (*314)	300	25	33	39	6	12	16
	330	10	15	24	21	28	31
Grand Met. (*446)	420	40	46	59	5	13	17
	454	19	25	-	19	29	-
I.C.I. (*1003)	1000	44	62	90	27	48	53
	1050	22	36	65	53	80	84
Jaguar (*273)	260	26	33	43	9½	17	20
	280	15	23	32	18	28	30
Land Securities (*582)	500	90	103	-	2	4½	-
	550	45	62	75	7	13	20
	600	16	33	45	28	33	42
Marks & Spencer (*154)	140	18	24	26	2	4	6
	160	5	10½	13	9	10½	14
	180	2	4½	7	27	30	31
STC (*283)	260	32	39	46	5	9	12
	280	17	25	34	13	16	19
	300	8	14	22	22	26	28
Sainsbury (*200)	180	24	29	34	2	4	7
	200	10	16	21	8	12	15
Shell Trans. (*979)	950	63	80	97	15	35	37
	1000	33	48	68	35	60	63
	1050	15	28	45	75	90	90
Storehouse (*177)	160	23	30	38	4	8	10
	180	11½	20	23	13	16	18
Trafalgar House (*314)	280	38	40	-	3	5	-
	300	18	26	32	10	14	18
	330	6½	11	16	28	32	36
Utd Biscuits (*289)	280	25	37	42	12	15	21
	300	14	26	33	22	25	30
Ultramar (*233)	220	-	-	41	-	-	20
	235	16	25	-	15	22	-
	240	-	-	30	-	-	30
Woolworth (*245)	220	32	38	-	1½	4	-
	240	17	20	30	6	9	13
	260	7	12	17	17	20	22

Option		Calls Jan	Calls Apr	Calls Aug	Puts Jan	Puts Apr	Puts Aug
GEC (*181)	140	44	46	-	1	2	-
	160	25	28	31	2	4½	6
	180	9	14	20	7½	12	15

Option		Calls Jan	Calls Apr	Calls Jun	Puts Jan	Puts Apr	Puts Jun
Rolls-Royce (*134)	130	10	15	18	4	6½	9
	140	4½	9	13	9	11½	15
TSB (*110)	100	13	14	17	1	2½	3½
	110	6½	7½	10½	4½	6	7
	120	2½	4½	6	11	12	12

Option		Calls Nov	Calls Feb	Calls Apr	Puts Nov	Puts Feb	Puts Apr
Ladbroke (*447)	390	58	71	-	½	2	-
	420	28	46	55	1	7	9
	460	2½	20	27	16	22	26

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*476)	420	57	72	80	1	4½	11
	460	18	42	50	3	14	23
	500	1½	20	30	27	33	45
BAA (*282)	280	5	16	25	2	9	13
	300	1	7	16	19	22	26
BAT Inds (*438)	420	20	40	47	1	8	17
	460	1½	17	24	23	29	35
Brit. Telecom (*248)	240	8	17	25	1½	7	9
	260	1	7	15	13	17	19
Cadbury Schweppes (*355)	330	25	48	55	1	12	18
	360	5	29	39	11	27	32
	390	1	18	26	38	46	49
Guinness (*333)	330	7	24	32	3	12	18
	360	1	10	15	28	30	34
LASMO (*491)	460	37	65	80	4	18	30
	500	7	43	58	20	38	50
	550	1½	23	35	61	73	80
P. & O. (*568)	500	70	85	95	2	4	10
	550	20	45	55	2	13	22
	600	2	18	25	35	43	52
Pilkington (*224)	220	5	17	24	2	11	14
	240	1	7	14	17	20	23
Plessey (*225)	140	86	87	90	¼	¼	1
	160	66	67	70	½	1½	2
	180	46	50	54	1½	4½	8
Prudential (*154)	150	6	-	-	2	-	-
	160	½	8	11	8	9	13
Racal (*286)	280	9	26	35	2	13	18
	300	2	17	26	16	27	31
R.T.Z. (*445)	420	27	50	65	2	14	17
	460	3	28	40	18	30	37
Vaal Reefs (*573)	70	4½	9	11	2	7½	10
	80	1	4½	6	10	14	17

Option		Calls Dec.	Calls Mar.	Calls Jun.	Puts Dec.	Puts Mar.	Puts Jun.
Amstrad (*184)	180	11	22	28	5	11	14
	200	3	12	18	21	22	25
Barclays (*412)	395	24	-	-	4	-	-
	420	-	23	28	-	27	28
Blue Circle (*439)	420	28	46	48	4	14	20
	460	8	24	28	26	30	38
Dixons (*141)	140	8	12½	20	5	9	12
	160	1	6½	12	21	22	25
Glaxo (*1036)	1000	60	103	132	13	33	42
	1050	30	75	105	37	53	60
Hawker Sidd. (*541)	500	47	68	77	4	9	15
	550	15	33	45	21	27	37
Hillsdown (*263)	260	9	20	26	4	10	13
	280	2½	10	14	20	21	26
Lonrho (*382)	360	38	55	66	10	31	34
	390	22	38	51	26	44	47
Midland Bk (*407)	360	53	-	-	2	-	-
	390	24	37	42	4	14	17
	420	7	18	27	16	32	33
Sears (*126)	120	10½	17	22	3½	7	9
	130	5	12	16½	8½	12½	15
Trusthouse Forte (*269)	260	19	28	38	7½	16	21
	280	8½	18½	28	18	28	31
Thorn EMI (*656)	650	24	44	65	13	28	35
	700	6	22	37	48	60	65
Wellcome (*459)	420	46	-	-	3	-	-
	460	16	37	52	16	24	29

Option		Calls Dec.	Calls Apr.	Calls Jul.	Puts Dec.	Puts Apr.	Puts Jul
Boots (*225)	220	9½	22	30	7	11½	15
	240	4	12	20	20	23	27

Option		Calls Jan.	Calls Mar	Calls Jun.	Puts Jan.	Puts Mar	Puts Jun.
British Gas (*163)	160	8½	11	15	3	6¼	8
	180	1½	3¼	8	18	19	19

Option		Calls Nov	Calls Jan.		Puts Nov	Puts Jan.	
RHM (*358)	330	30	38	-	1	6	-
	360	7	16	-	8	19	-

Option		Calls Dec.	Calls Mar.	Calls Jul.	Puts Dec	Puts Mar.	Puts Jul.
Beecham (*455)	420	39	54	67	3	8½	15
	460	11	28	42	18	24	55
Unilever (*459)	420	41	57	67	2	6½	12
	460	12	29	40	14	22	28

Option		Calls Dec.	Calls Mar	Calls May	Puts Dec.	Puts Mar.	Puts May
BTR (*290)	280	15	26	29	4½	9	12
	300	5	14½	16½	15	18	21
Hanson (*147)	140	9½	13	15½	2½	4¾	5½
	160	¾	3¼	5¾	16½	16½	17
Tesco (*134)	130	8	13	15	3½	6	6
	140	2	8	10	9	11½	14

Option		Calls Nov.	Calls Jan.	Calls Mar.	Puts Nov.	Puts Jan.	Puts Mar.
Enterprise Oil (*539)	550	17	42	62	25	40	50
	600	6	23	43	70	75	80
Scot. & Newcastle (*390)	390	7	27	38	4	18	26
	460	½	4	15	72	73	74

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Conv. 9½% 2005 (*101)	98	-	[illegible]	-	[illegible]	[illegible]	-
	100	[illegible]	[illegible]	-	[illegible]	[illegible]	-
	102	[illegible]	[illegible]	-	[illegible]	[illegible]	-
Tr. 12% 1995 (*108)	106	-	-	-	-	[illegible]	-
	108	-	-	-	-	-	-
	110	-	[illegible]	-	[illegible]	2½	-

Option		Calls Nov	Calls Dec	Calls Jan	Calls Feb	Puts Nov	Puts Dec	Puts Jan	Puts Feb
FT-SE Index (*1812)	1650	165	173	178	-	1	3	7	-
	1700	117	128	133	143	1	7	14	19
	1750	67	85	92	105	4	15	24	32
	1800	24	45	57	70	16	30	39	50
	1850	5	30	30	44	48	55	63	70
	1900	1	8	17	25	95	95	98	103
	1950	½	3	8	13	145	145	145	147
	2000	½	-	-	-	195	-	-	-

November 16 Total Contracts 49,250 Calls 35,845 Puts 13,405
FT-SE Index Calls 3879 Puts 6213
*Underlying security price.

THE BATTLE FOR PLESSEY

The considered art of bidding with a wealth of past experience

Nikki Tait recalls the main events of GEC's previous attempted takeover of Plessey and analyses the thinking behind the current one

"YOU SHOULD think of this not as a merger, but a plan for co-operation," suggested Lord Weinstock, managing director of GEC, yesterday. "The speed at which we put things together will be up to us."

Whatever the broader implications of such public pronouncements, they certainly appear designed – when taken with much of the formal announcement of the Plessey bid by the specially-formed GEC-Siemens yesterday – to deflect monopoly reference worries.

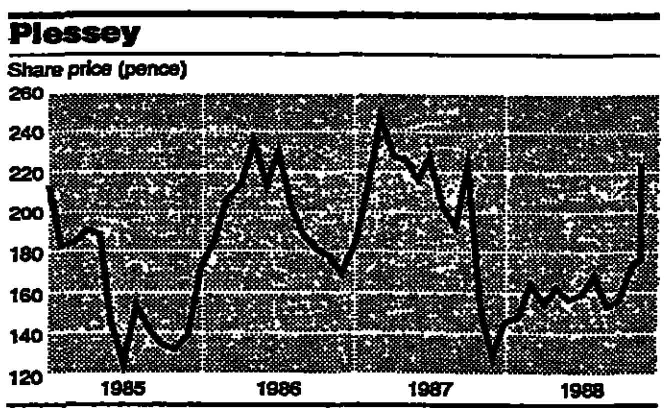
As stockbroker James Capel puts it: "This bid seems tailored to overcome the objections raised last time."

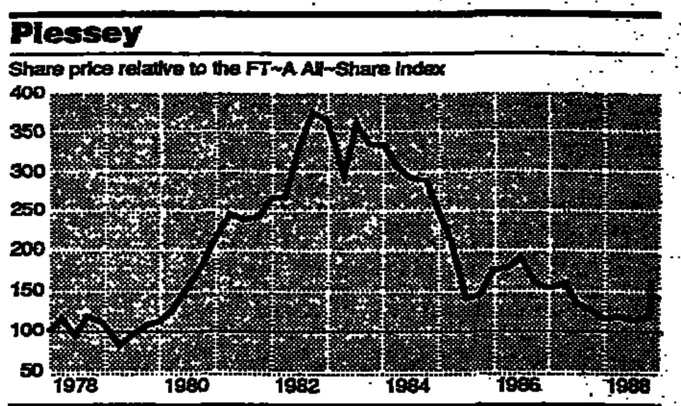
Last time, of course, was in 1985/6. It was in December 1985 that GEC, Britain's largest electronics and electrical group, brought mounting speculation to an end with a £1.2bn offer for Plessey, defence and telecommunications group.

The offer was duly rejected, and in late January, Mr Leon Brittan, the then-Secretary of State for Trade and Industry, referred it to the Monopolies and Mergers Commission.

In making the reference, the Office of Fair Trading was understood to have weighed the possibility of reduced competition in the UK defence electronics market against the need for British companies to strengthen their position internationally. Competition in the UK telecommunications industry was another moot area.

Sir John Clark, chairman and chief executive of Plessey





When the MMC report was released in August that year, Plessey's position was largely vindicated.

A majority of the MMC's investigating committee – five out of six – sided with Plessey and the Ministry of Defence, which insisted that the merger would increase its costs. Figures were even put on the increase, although the commission itself was wary of too much precision. The MoD suggested that, if the merger took place, the estimated financial loss over the next 10 years would be in the range of £540m to £840m.

The DTI, on the other hand, was far more supportive, claiming that the merger could create an industrial structure in which the challenges facing the electronics industry in the UK might be addressed.

The MMC report, however, did see benefits from rationalising the two companies' overlapping manufacturing capacities for the System X digital telecommunications exchange. The move was duly made in March this year, when the telecommunications interests were merged into GPT, a jointly-owned company.

Yesterday, Lord Weinstock refused to comment on whether the bidding companies had already approached either the DTI or the MoD.

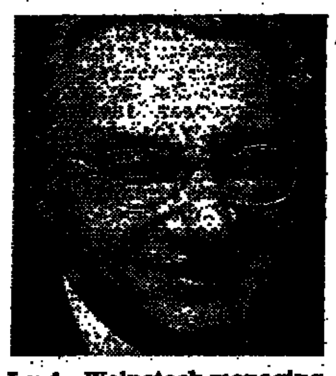
For Siemens, Dr Karlheinz Kaske, chief executive, was rather more forthcoming, suggesting that the German cartel office had not been approached, although he added that he did not foresee any problems there. The European Commission, he said, had also not been tackled in advance.

But the picture, in any case, looks somewhat different this time round.

On the key defence side, the deal envisages that GEC will take a 50 per cent interest in Siemens' defence electronics business; that the Plessey business in the UK and Europe will be operated independently and will be jointly-owned; that GEC's Marconi business will also continue to be operated independently; and that GEC will take 51 per cent of Plessey's recently-acquired North American defence operations.

Or, in the words of one analyst: "They can argue that there will not be any aggregation of control in the UK."

That thinking, together with a sneaking suspicion that GEC-Siemens would not have headed down this road without some guidance, has inclined some analysts to suspect that the UK monopolies question may not prove a barrier this time round – although, as one put it: "Whether there is the formality of a monopolies reference is another matter."



Lord Weinstock, managing director of GEC

Moreover, Lord Weinstock appeared to suggest that the new combine would consider plea-bargaining if necessary.

Discussing possible MoD worries yesterday, he commented: "We will have to offer such guarantees as satisfy them." And he went on to add, that if this failed, GEC-Siemens might be willing to consider disposals.

Whether the introduction of Siemens into the equation will produce new problems on the international front – in particular, in terms of the European Commission – is difficult to judge.

It is possible to point to other formidable forces in the telecommunications and defence areas, and, as Dr Kaske suggested yesterday, Brussels has not protested at some other major link-ups.

Certainly, there seems little doubt about how GEC-Siemens will argue its case. "The escalating cost of research and development, scarce technical and managerial resources and relentless competitive pressures from the Far East and North America increasingly necessitate European common systems solutions," stressed the statement yesterday.

What Plessey hits back with remains to be seen.

No questions please, you're American

By Clay Harris

LAWYERS representing GEC last night threatened the International Herald Tribune, the Paris-based newspaper, with legal action if it published any news of the bid for Plessey.

The threat followed the refusal of Lord Weinstock at a press conference to answer any questions from Mr Warren Getler, IHT London correspondent. The IHT said last night that it was publishing Mr Getler's report despite the threat.

Mr John Walker Haworth of S.G. Warburg, the merchant bank handling GEC's offer, confirmed that the bidder was acting under US legal advice that any contact with US journalists could be cited in a court action as evidence of breach of securities laws.

Plessey made such a submission in a case pending during GEC's previous bid in 1985, although a US court eventually rejected the argument, Mr Walker Haworth said.

Mr Walker Haworth, a former director general of the UK Takeover Panel, said he believed the stricture applied to the nationality of the publication rather than the journalist. Asked if this meant that GEC could talk to British-based Reuter and not to the US-based Associated Press, he supposed that it did.

Although the IHT is US-owned, only a fraction of its global circulation goes to the US, where the Financial Times, for example, sells more copies.

The IHT said GEC and its advisers had their "points of law confused." Two other British companies recently involved in transatlantic bids supported that view and said they had never been advised by lawyers to exclude American journalists.

When Mr Getler asked at yesterday's press conference about GEC's plans for Plessey management, Lord Weinstock paused to consult his advisers, asked Mr Getler which publication he represented, and then refused to answer.

City rumour mill deprives joint predators of element of surprise

Ray Bashford reports on the speculation which prompted the build-up of activity in shares and options ahead of the offer announcement

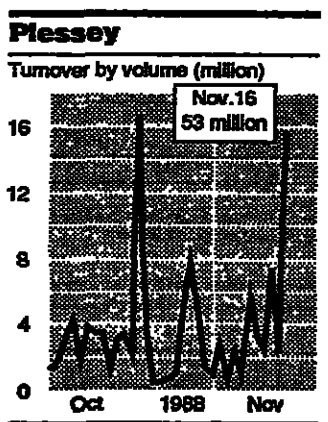
THE 12.47pm flash across City computer screens announcing the bid from GEC/Siemens for Plessey was scarcely a surprise. The impact of the £1.7bn offer had been deadened by persistent rumours during the past month, culminating in heavy trading in Plessey shares on Tuesday.

Those who had not become aware of the speculation during trading hours on Tuesday could have read a newspaper story on the same day which presciently named the bidders and outlined the logic which less than 24 hours later they would cite in support of their bid.

Several brokers' offices interrupted business on Tuesday afternoon to discuss informally the possibility of a takeover. The outline the suspected bid would take was subject to wide debate, but there was little doubt in the mind of most present at these meetings that an offer was in the air.

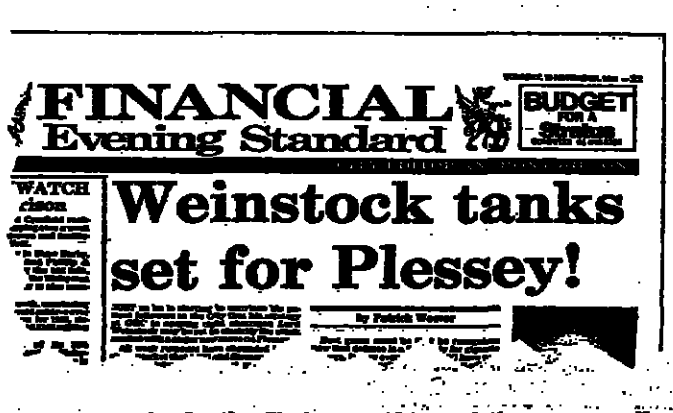
Plessey's shares closed 8½p higher at 175½p on Tuesday on turnover of 15m shares. As the rumours took hold again yesterday morning, turnover swelled to end at 53m, and the shares surged to close 48½p higher at 224p, a penny below the GEC/Siemens cash offer.

The rumours appear to have been given additional room to run on Tuesday when the story began to circulate that the Ministry of Defence, which opposed GEC's first offer for Plessey in 1985, had given the all-clear to a new bid.



If this is correct, it remains to be seen when and by what means the information passed from Whitehall to the City. A spokeswoman for the MoD said the department had been aware of "rumours like all the City" of a possible takeover since late last week but declined to elaborate.

Indeed, strong hints of an imminent £1bn-plus bid – not naming any of the three parties invoved in yesterday's offer – had been floated before Tuesday. Such rumours, of course, are grist for the City's mill every day, but in this case, they were well-founded.



Bid speculation was equally intense in the options market, which responds to volatility in the share market. Anticipating an offer, 6,704 contracts were traded on Tuesday, while a further 5,000 were traded yesterday prior to the bid.

The total number of Plessey options contracts traded this month is 24,154, including some 12,300 yesterday. This compares with 12,349 in August, 11,017 in September and 8,331 in October.

Mr Malcolm Bates, GEC's deputy managing director, said the company had been working towards announcing the bid yesterday and it was highly annoyed by the leaking of the story and the resultant market speculation.

The Takeover Panel is believed at this stage to be making only routine checks into circumstances surrounding the bid. GEC declined to comment on the possibility of a request for an investigation into the share trading.

Plessey has been tipped as a takeover target since GEC's last bid and a speculative factor has been constant since then in the formula to evalute the price of the company's shares.

One broker said yesterday: "The only surprise in the announcement of the bid is that Siemens was involved. We also thought that it may have taken a little longer to come out."

European Commission maintains advisory role

By Tim Dickson in Brussels

EUROPEAN COMMISSION officials said last night that they have been "in contact with the parties" and expected soon to receive full details of GEC's and Siemens' joint takeover plans for Plessey.

Under current European Community legislation, Brussels has no power to vet mergers in advance of a corporate link-up. But it is considered highly significant that companies themselves are anxious to keep the Commission informed and to establish at an early stage whether or not there are monopoly implications under EC law.

"This is what has happened," a Commission spokesman explained yesterday, "in the case of the Carnaud takeover of Metal Box in the UK, which we are now investigating, and the proposed merger of the car rental businesses of Wagons-Lits and Volkswagen.

"Businessmen and lawyers are already used to thinking about the application of our competition policy and making sure that they do not fall foul of the rules," added the spokesman. "When we get the information from GEC and Siemens we will analyse the situation, assess the impact on the market, and see if what they plan will restrict competition or result in a dominant position by the enlarged group.

"It will obviously useful for the interested parties to be aware of any pitfalls."

Yesterday's dramatic development comes at a crucial stage in the highly charged negotiations over the Commission's controversial plans for an EC-wide merger control regulation, which is set to be discussed again at a meeting of Internal Market Ministers in Brussels on Friday.

Mr Peter Sutherland, the outgoing Irish competition Commissioner, is fighting for a compromise proposal which would give the Commission the right to examine in advance any potentially anti-competitive cross-border mergers of Ecu 1bn (£650m) or more.

The latest revisions aim to define more clearly where national authorities would retain their powers, although the UK, and to a lesser extent France and West Germany, remain sceptical.

The GEC/Siemens bid for Plessey is seen as potentially highlighting some of the issues of this negotiation but it will also be watched closely from Brussels for its wider 1992 implications.

"After all, it looks like there will be a redistribution of the cards in the telecommunications sector," said one official.

Siemens finds it's all quiet on the German front

By Haig Simonian in Frankfurt

WEST GERMANS have an unnerving knack for announcing major corporate events when they can be expected to trigger the least reaction.

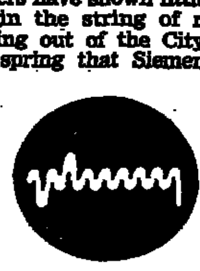
It was appropriate, therefore, that Siemens, the large electronics group, joined the £1.7bn hostile battle for Plessey when the country was shut down for its annual "prayer and repentance day". The news was greeted by silence.

A little divine intervention may be no bad thing to help the bid along. But Siemens, "the bank which happens to have some manufacturing activities tied alongside", to quote the German cliché, is rather sensitive to jokes about its DM 20bn (£6.45bn) cash mountain.

True, half of that is made up of pension contributions, but all the same, financing its 40 per cent share of the Plessey bid is hardly likely to strain one of Germany's biggest companies, which on Monday announced a 9 per cent rise in earnings to DM 1.4bn on sales up 16 per cent to DM 59.4bn.

Not even the gruff porters who normally man Siemens' telephones when the company is officially closed had much to say about its latest step, which has been much-rumoured in the London stock market this year.

Curiously, German equity dealers have shown little interest in the string of reports coming out of the City since the spring that Siemens was



poised to pounce on a leading UK electronics group. Names like Racal, Plessey and even GEC itself have been regularly mentioned.

Telecommunications holds the key to Siemens' ambitions. It was undoubtedly disappointed in April last year when its bid to get into the French telecommunications business by taking majority control of CGCT was passed up in favour of an offer from Ericsson and Matra.

Since then, the prospect of more open European markets, even in telecommunications, and the partial deregulation of the Bundespost, the German post office, may have given its plans a further lift. Perhaps the seemingly inexorable growth of Daimler-Benz, based in neighbouring Baden-Württemberg, may have provided an additional spur to Siemens bosses in Munich.

Barely a car moved in Frankfurt's banking district yesterday, as executives enjoyed their mid-week rest, and the most obvious sign of commerce was at the food stalls at the town's bustling railway station.

Wider German reaction to the bid will have to wait until later today. Virtually the only response yesterday – indeed almost the only phone to be picked up at a financial institution – was Morgan Stanley, where some corporate financiers were beavering away. What did they make of the Siemens bid?

"No comment."

Concentric unveils training commitment

By Richard Tomkins, Midlands Correspondent

CONCENTRIC, West Midlands-based manufacturer of pumps, valves, controls and pressings, yesterday accompanied the announcement of a 22 per cent profits increase with an unusually strong commitment to training.

Skill shortages have emerged as a serious hindrance to the continued expansion of the West Midlands economy and local businesses have been criticised for failing to play their part in alleviating them.

Unveiling an increase in pre-tax profits from £5.16m to £6.28m for the year to September 30, Concentric said it had expanded its training department and and converted a property it owned into study bedrooms for its workers.

"Over a period of a year we expect that up to 50 per cent of our workforce will undergo some form of recognised training and instruction," said Mr Tony Firth, chairman.

Turnover rose by 36 per cent from £64.92m to £88.47m, the fall in margins reflecting the acquisition of the previously loss-making RMI Smethwick foundry at the turn of the year.

Earnings per share rose by 22 per cent from 17.6p to 21.4p and a final dividend of 5.46p (4.55p) is recommended, making 7.8p (6.5p).

Mr Firth said all subsidiaries made significant progress. Problems in the controls companies reported at the interim stage had been overcome and the satellite dishes being made by Pressed Products were set to make a significant impact in the current year.

● COMMENT

If Concentric were only so expansive on the breakdown of its profits as it is on its training policy, the market might feel more comfortable with the company's shares. As it is, an investment in Concentric is more a matter of faith in the chairman, his impressive five-year record, and his expectation that the growth pattern will be sustained. Plus points in the current year could include £500,000 from the RMI foundry, a useful contribution from expanding US sales and a better performance from controls. The downside is the susceptibility of the dollar and doubts over the durability of buoyant automotive sales. The big unknown is what the satellite dishes could do if consumer demand (not to mention the satellite itself) ever takes off. For now a group total of £7.5m pre-tax is as good a guess as any this year. The p/e multiple is 9.

Grand Met extends offer for IDG

The protracted battle for ownership of Irish Distillers continued yesterday with Grand Metropolitan, which holds a 32.29 per cent stake in the whiskey distiller, extending its offer until December 3.

A further step towards resolution of the takeover battle for the whiskey group is expected today when the full Takeover Panel is expected to rule whether it has upheld its executive's decision that Pernod Ricard breached the Takeover Code in gaining acceptances for its proposed rival offer from some shareholders of Irish Distillers.

UK COMPANY NEWS

Retailing profits boost Whitbread to £110.6m

By Lisa Wood

PROFITS FROM retailing, both in the UK and abroad, fuelled the 18.5 per cent increase, from £93.3m to £110.6m, in the pre-tax profits of Whitbread in the six months to August 27 1988.

The results were at the top end of City forecasts but included higher profits from property disposals, at £8.2m compared with £2.8m last year. Interest charges, at £20.7m, compared with £15.5m, reflected increased investment in pubs, restaurants and hotels, said Whitbread.

Mr Sam Whitbread, chairman, said there had been a good contribution from retailing, brewing and the wines, spirits and soft drinks divisions.

Earnings per share rose 14.1 per cent from 15.91p to 18.15p. The interim dividend of 3.25p per share showed a 16.1 per cent increase for shareholders who, because of Whitbread's restricted voting structure, have not had what Mr Whitbread described as the "speculative capital uplift" experienced elsewhere in the industry.

Turnover rose 10 per cent from £817.2m to £899.5m – after stripping out inter-company sales of £80.4m – and comprised contributions of £347m from beer, £482m from retailing and £150.9m from wines and spirits.

Profits from the brewing division grew to £59.4m, a rise of 9.2 per cent. Volumes increased by 1 per cent in a static marketplace with lager sales – including brands such as Heineken and Stella Artois – advancing significantly.

Profits from the retailing sector, which includes Whitbread Inns, Beefeater steakhouses and Pizza Hut UK were up by 28.5 per cent to £49.9m compared with £40.4m.

● **COMMENT**

Whitbread was giving clear signals yesterday about which way it should jump if the Monopolies Commission forces Britain's brewers to choose between brewing or retailing. Tough decisions may have to be made anyway. Retailing is now fuelling profits growth with forecasts of even better things to come at home and abroad from its pubs, hotel and restaurant chains. But interest charges are mounting as the retailing division gobbles up cash for which there could be counter-claims from the drinks divisions, which need to compete in expensive brand warfare. Analysts are looking for £212m, giving earnings per share of 34.4p and a prospective p/e of 8½ times.

Regalian up 49% to £17.25m

By Andrew Taylor Construction Correspondent

TAXABLE PROFITS OF Regalian Properties rose by 49 per cent in the six months to September 30, despite a dramatic slowdown in some house sales in London's Docklands.

The pre-tax profits figure of £17.25m compares with £11.58m at the halfway stage last year.

Sales in the first six months increased by 85 per cent to £52.56m compared with sales of £56.88m for the whole of the previous financial year. Earnings per share increased by 40 per cent to 12.11p (8.65p). The interim dividend was increased by 50 per cent to 1.5p.

Mr David Goldstone, Regalian managing director, said yesterday that the fall in Docklands sales was more than compensated for by higher sales and prices elsewhere in the country.

He added that sales of Docklands homes costing less than £150,000 had held up reasonably well but there had been a dramatic slowdown in sales of higher-priced homes following last year's stock market crash.

Mr Goldstone said sales were likely to remain relatively quiet between now and next spring. He forecast a steady increase between March and October next year although the market was likely to remain significantly quieter than during the last few years.

The first-half results were also boosted by a further contribution from the sale of the company's 250,000 sq ft Bankside office development at the southern end of Southwark Bridge which is to be the Financial Times' new headquarters in London. The group is now planning a 150,000 sq ft office development on a site adjoining the new FT building.

Weak oil prices hit Ultramar

By Clare Pearson

NET PROFITS from continuing operations at Ultramar, diversified UK oil company, slipped in the third quarter to £6.3m, compared with £9m in the same period of 1987, reflecting weak crude oil prices. Turnover was £258.7m (£292.6m).

Profits over the first nine months of the year, however, improved to £31.2m (£30.8m). Cash flow during this period rose to £111.8m, an increase of £11m over the comparable time-span in 1987.

In September, Ultramar substantially expanded both its upstream and downstream activities and also launched a £130m rights issue.

It roughly doubled its existing UK acreage by buying Blackfriars Oil & Gas, the North Sea oil exploration and production company for £111.6m. The other purchase was Wilmington, a Californian refinery, for £259m.

In the third quarter, exploration and production activities contributed £2.6m (£8.2m). The core Indonesian liquefied natural gas operation put in £4.5m (£7.4m), reflecting weak crude oil prices. A dispute with Japanese buyers, which began in April, about the pricing of LNG cargoes continues. From September 1, the basis of invoice prices has been changed from posted prices to average export prices.

Total oil production rose to 104,800 barrels per day from 93,800 barrels per day of oil equivalent.

The Eastern Canadian refining and marketing operation saw strong demand for petroleum products in Quebec, although its profits contribution fell from £15.4m to £14.4m, reflecting pressure on wholesale product margins. The US West Coast marketing company, benefiting from restructuring, achieved profits of £1.7m against a £0.3m loss in the same period of 1987.

Through-put at the Quebec refinery, where Ultramar has recently announced a C$85m (£38m) expansion to increase capacity by 10 per cent, improved during the nine month period from 94,500 to 100,700 barrels per day.

Blenheim goes shopping in Paris

Blenheim Exhibitions, which has been busy turning itself into Europe's largest trade exhibition and trade fair organiser, is set to buy PDO, a Paris-based company best known for putting together Servi-Congres, an exhibition for the French exhibition and conference industry.

Blenheim has entered into an option agreement and intends to complete the acquisition by January 2 next year, for a cash consideration of FFr 9m (£835,000).

Revamped Sketchley advances to £7.3m

By Vanessa Houlder

SKETCHLEY, the restructured dry cleaning and office services group, yesterday announced a 31 per cent improvement in interim pre-tax profits. The results prompted a 3p rise in the share price to 435p.

It made £7.3m for the 26 weeks to September 30 on turnover of £103m, compared with pre-tax profits of £5.6m on turnover of £81m scored in the corresponding 27 weeks last year.

Mr Malcolm Glenn, chairman, said that it had been a period of consolidation, aimed at digesting the recent string of deals. The results mark a move away from the profits plateau on which Sketchley has been lodged for most of the last five years.

The breakdown of operating profits showed that consumer services – the dry cleaning business – made £2.9m, up 16 per cent; office services £1.8m, up 15 per cent; textile services £2m, up 17 per cent; vending services, which included Roboserve, £2.6m (£563,000) and the property division £569,000 (£182,000).

Dry cleaning pushed sales ahead by 10 per cent and improved margins, through improved cost controls. Textile services – the sale and rental of work clothes – is receiving £2m in investment to modernise its plant.

The company is currently in negotiations with several interested parties for the sale of its photocopying and related interests.

Interest charges increased from £899,000 to £2.6m, as a result of the group's increased leasing activities involved in its vending and textile divisions.

Earnings per share rose from 13.2p to 15.2p. An interim dividend of 6.5p (6p) per share is being paid – an increase of 8.3 per cent.

● **COMMENT**

Sketchley still has the look of a two-way bet. The shares enjoy an above average rating, which, on one view, is justified by the company's above average growth prospects. After the reshuffling of Sketchley's businesses, there is scope to improve efficiencies, and to share contacts and reputations between the new divisions. In addition, the company recognises the opportunity to sell more goods through its high street sites. Yet failing a strong growth in profits, the share price could also be justified by the possibility of a break-up bid. Although that prospect may well be receding with time, Sketchley offers a strong brand name allied to a far from glittering profits record. In either case, a multiple of 12.5, assuming pre-tax profits of £16.6m for the full year, looks fair value.

Land Securities advance boosts shares

By Paul Cheeseright, Property Correspondent

LAND SECURITIES, Britain's largest quoted property group with assets of more than £4bn, yesterday announced half-year pre-tax profits above most forecasts and saw its share price rise strongly in a generally firm market.

Taxable profits for the six months to September were £71.4m, compared with £64.5m at the same stage in 1987-88. Earnings per share rose from 8.32p to 9.21p.

Against the background of a large development programme, Land Securities has been following a cautious dividend policy, but the interim is raised to 4.1p (3.65p). Payments in the last financial year totalled 12.5p.

The figures are predictable in that they reflect the general buoyancy of the property market and the effects of the development programme undertaken in recent years.

Rental income in the first half was £110.8m, against £96.5m. It was held down slightly because of the amount of properties in the portfolio that are being redeveloped. On the other hand, rent reviews have given Land Securities an uplift to its basic source of revenue. The rate of rental growth coming through in reviews is beginning to slow, however.

The development programme has also led to a sharp increase in the interest bill, which in the first-half rose to £41.1m from £32.9m in the comparable period. With a new £200m debenture stock in place at the end of September, the first tranche of which will have been drawn down by the end of the financial year, the interest bill for the second half will be relatively higher.

The greater part of Land Securities' funding is on a long-term, fixed-interest basis, so there have been few costs from the higher level of interest rates. Their main effect has been to lift interest receivable to £17.7m (£14.3m).

Current developments consist of 1.2m sq ft of offices, 450,000 sq ft of new retail space and 900,000 sq ft of shopping refurbishments.

The share price yesterday climbed 20p to 596p.

Flotation capitalises Fairey at £51.2m

By Philip Coggan

FAIREY, the diversified engineering group, is being floated on the stock market less than two years after it regained its independence via a management buy-out.

Lazard Brothers is offering 14.91m shares, 45 per cent of the equity, at 155p each, giving the group a market capitalisation of £51.2m.

Fairey, founded in 1915, was best known between the wars for building a number of aeroplanes, including the Swordfish. But the group stopped making aircraft more than a quarter of a century ago.

The modern group was forced into receivership in 1978 after problems at a Belgian subsidiary and was subsequently taken over by the Labour government's National Enterprise Board. Following the election of Mrs Thatcher, Fairey was put up for sale to the private sector and was eventually bought by Pearson, the diversified group which owns the Financial Times.

Following Pearson's decision to concentrate on businesses where it saw "long-term competitive advantage," Fairey was sold to a management team on New Year's Eve 1986, after competition from 12 other bidders.

Pearson sold the companies and assets of Fairey for £48m and in addition retained £3.5m of net cash balances. Since the buy-out, the group has been rationalised significantly, with several businesses sold.

Fairey now has three divisions – electronics and electrical power; aerospace and defence; and filtration and specialised ceramics. In 1987, the divisions contributed £2.54m, £3.37m and £1.95m respectively to pre-tax profits; this year, the forecast contributions are £4.4m, £2.6m and £2.5m.

Total pre-tax profits rose from £4.85m in 1986 to £7.85m in 1987. Some £9.5m is forecast for this year, including a one-off credit of £840,000 from the suspension of pension contributions. Excluding the pension benefit, the prospective p/e is just over 9. The notional gross dividend yield is 5 per cent.

None of the buy-out investors are selling their stakes under the offer and the managers are retaining more than 90 per cent of their original holding. The management will own 13 per cent of the group following the listing and the other investors just over 40 per cent. The proceeds of about £21.5m after expenses will be used to pay off borrowings.

● **COMMENT**

Fairey's name may be historically associated with aerospace, but the modern company has a broad range of customers – making everything from polymer filters for ICI to fuel cans for the nuclear power industry. This means that the group lacks populist appeal, especially as its star product, the electronic counter made by Red Lion, looks like an up-market alarm clock. Red Lion may have to carry the burden for growth in the short term, but in the long term, the spare parts and maintenance work for aerospace and the insulators for the Central Electricity Generating Board are good solid businesses. Since the offer is unaggressively priced, the institutions will doubtless be able to spare some of the cash they set aside for the British Steel issue; short of a stock market disaster, the issue should get away safely.

Enlarged Wagon Industrial rises to £5m

By Richard Tomkins, Midlands Correspondent

WAGON INDUSTRIAL, a Telford, Salop-based holding company, yesterday turned in its first set of figures since acquiring Banro Industries, an engineering group, for £39.2m in July.

Pre-tax profits for the half year to September rose by 52 per cent to £5.2m (£3.42m) on turnover up from £53m to £79.2m. Banro, included for just over 10 weeks, contributed £748,000 of the profit increase.

Earnings per share growth was checked at 17 per cent, from 10.82p to 12.68p, because of the shares issued for Banro. Interim dividend is 5.25p (4.5p).

Mr John Hudson, chief executive, said Banro had performed more or less as expected. The French and motor-cycle operations had done well but the principal business, Edward Rose, produced losses and required a fair amount of work before its strong market position could be reflected in profits.

Elsewhere, the office equipment and engineering divisions both doubled their contributions – the former in the wake of last year's reorganisation and the latter because of buoyant demand on the Continent for Oleo's hydro-pneumatic buffers.

The advance in materials handling and storage was comparatively modest at about 6 per cent because a strong performance from Link 51 was contrasted by productivity and organisation problems at the recently-acquired Radford of Bristol. These were now being resolved.

● **COMMENT**

After rolling along for the last five years with earnings growing at an annual compound rate of 35 per cent plus, Wagon looks like losing some of its momentum in 1988. On conservative estimates of £15m pre-tax, a full dilution for the hefty share issue that paid for Banro will hold the increase down to 13 per cent. But it would have been the more surprising if it were otherwise: an acquisition of this size with a loss-making principle business is not going to be turned around overnight, and it did not help to have brought the company into the results on the eve of its holiday season. Wagon extracted profits growth of 30 per cent from the existing businesses in the first half in spite of the difficulties at Radford, and at yesterday's 329p, the prospective p/e multiple of just over 10 reflects the market's confidence that Banro will be brought into line.

COMPANY NEWS IN BRIEF

GEEST has, through its wholesale markets division, acquired BP Truelove, Northern-cut flower and plant wholesaler. Truelove made pre-tax profits of £130,000.

LANDLEISURE has acquired the Bath Spas at Bath on a 125-year lease for £350,000. The acquisition was made through LandLeisure's Aspinall Health Hydro subsidiary.

OCEANA DEVELOPMENT Investment Trust: net asset value 250.3p at September 30 1988, compared with 245.2p at March 31 1988 and 352p at September 30 1987.

Oriflame at £3.38m after six months

Oriflame International, Swedish cosmetics and jewellery company quoted on the London Stock Exchange, reported profits before tax and "unusual items" of £3.38m for the six months to September 30, against £2.28m restated for the six months to September 30 1987.

Mr Jonas af Jochnick, chairman, said that because of the change in corporate structure, this year's figures were not comparable with last year when the Goldsmith jewellery and hotel operations, since disposed of, were included. The comparative figures were therefore for continuing operations.

On this basis, sales of £31.57m were 9 per cent up on £28.85m previously. But operating income fell to £2.94m (£3.27m). The company accounts under international standards which only use the term unusual items: these are taken above the tax line.

Earnings excluding unusual items were 5.9p (4p) and the interim dividend is increased to 3.5p (3p).

JH Fenner in £3.05m fluid sale

JH Fenner has reached agreement to dispose of its fluid sealing business to a management buy-out team led by Mr Peter Barman, a former director of Fenner.

Farncross, a company in which Mr Barman is majority shareholder and in which managers of the division are also shareholders, is paying £3.05m for Pioneer Weston, Salford-based seals manufacturer. Some £2.65m will be paid in cash on completion, and the rest in instalments up to 1991.

PUBLIC WORKS LOAN BOARD RATES

Effective November 16

Years	Quota loans repaid by EPY†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPY†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1	–	–	11¾	–	–	12
Over 1 up to 2	11⅛	11⅛	10¾	12⅛	12⅛	11½
Over 2 up to 3	10⅞	10⅞	10½	11⅞	11⅞	11¼
Over 3 up to 4	10⅝	10⅝	10⅜	11⅝	11⅝	11⅛
Over 4 up to 5	10½	10½	10⅜	11½	11½	11⅛
Over 5 up to 6	10½	10½	10⅜	11	11	10⅞
Over 6 up to 7	10⅜	10⅜	10⅜	10⅞	10⅞	10¾
Over 7 up to 8	10⅜	10⅜	10¼	10⅞	10⅞	10⅝
Over 8 up to 9	10⅜	10⅜	10⅛	10⅞	10⅞	10⅝
Over 9 up to 10	10⅜	10⅜	10	10⅞	10⅞	10½
Over 10 up to 15	10¼	10	9⅝	10¾	10½	10⅜
Over 15 up to 25	9¾	9½	9⅝	10¼	10	9⅞
Over 25	9½	9⅜	8¾	10	9⅞	9¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

C E Heath inches up to £9.58m at midway stage

By Nick Bunker

PRE-TAX profits at C E Heath, insurance broker, inched up 3 per cent to £9.58m in the six months to September 30, as cost-cutting helped hold expenses growth in its broking operations to just 7 per cent.

This contrasted sharply with Heath's 1987 half-way stage performance, when pre-tax profits dropped 44 per cent following staff defections and a fall in premiums at Pinnacle, Heath's Bermuda reinsurance underwriter.

Mr Richard Fielding, who has led a revitalisation of Heath since becoming chairman in 1986, said its recovery was "proceeding according to plan."

Fears that Heath might still need a rights issue to support its Australian operation have dogged investor sentiment, but executives stressed they are keen to avoid one.

Broking turnover grew 8 per cent to £22.87m. Total group turnover was up 11 per cent at £42.17m. Total expenses rose 12 per cent to £42.39m. Investment income was £9.8m (£9.3m). Earnings per share rose 6.7 per cent to 12.7p. Heath is paying an interim dividend of 7.5p (7.3p).

Richard Fielding: "Recovery proceeding according to plan"

● COMMENT

Nobody could do more than Richard Fielding to restore Heath's fortunes. Yet with unpleasant litigation still outstanding against Pinnacle, he has a tricky balancing act to perform until mid-1990, the earliest date when Heath's main insurance markets are likely to be firmly on an upswing. To regain lost broking volumes he must rebuild business-producing teams further, yet cannot afford to relax his grip on expenses. Heath wants to boost underwriting turnover: but with offshore reinsurers and the domestic Australian market facing renewed price competition, must beware of buying market share unprofitably. Heath's share price, down 9p at 430p yesterday owing to some analysts' incautious expectations of £11m pre-tax, is underpinned by its yield. Assuming full-year pre-tax profits of £23m, and a dividend of 25.9p, the prospective gross yield is a heady 8 per cent: but this could prove unsustainable if Heath hits unexpected snags and follows other brokers into negative cash-flow in 1989. Fears of a rights issue may be exaggerated, though: Heath hinted yesterday that if it did need to raise capital, it could sell its 9 per cent stake in Trade Indemnity, the credit insurer, or cash in on its head office's freehold.

AIB improves 37% to £66.8m

By David Lascelles, Banking Editor

ALLIED IRISH Bank, one of the two leading Irish banks, yesterday reported a 37 per cent increase in first half profits thanks to strong growth in its principal markets and a reduction in the charge for bad debts.

Pre-tax profits were I£79m (£66.8m) in the six months to September 30, up from £57.6m in the same period last year.

Earnings per share rose 45 per cent. Profit attributable to shareholders was £52m also up by 45 per cent, and in line with the forecast made by the bank at the time of its £110m rights issue in September. The interim dividend is 5.75p per share, a rise of 9.5 per cent.

"We've never been in better shape," said Mr Paddy Dowling, the assistant chief executive, yesterday.

The bank's other major operations in the UK also benefited from strong growth in lending.

Allied Irish said it still had a problem with its costs, particularly arising from its present staff structure. But it is addressing this in negotiations with the staff union. It also wants to extend opening hours to compete with rivals in the personal banking market.

The bank declined to comment yesterday on its negotiations with First Maryland Bancorp, its 49 per cent-owned US affiliate. Its offer to buy full control of the bank was rebuffed by the non-executive directors last month on grounds of price. The acquisition would put 40 per cent of the group's assets in the US.

The bank said it was in a strong capital position following its rights issue and a $95m sterling perpetual floating rate note issue this month.

NMC advances 39% to £4m

By Maggie Urry

NMC GROUP, the specialist packaging and property company in which the Saatchi brothers together have a 20.5 per cent stake, announced a 39 per cent rise in interim pre-tax profits to £4.01m.

Sales in the half-year to the end of September were 49 per cent up at £36m. The shares rose 6p to 127p on the news.

Mr Norman Gordon, chief executive, said the group had stuck to the strategy it set for itself in 1986, when Mr Charles and Mr Maurice Saatchi bought into the company. He estimated the group's earnings would grow at a percentage rate in the 20s.

Trading profits from the packaging interests rose 41.9 per cent to £2.9m, on a 79.5 per cent turnover gain to £30.4m. Mr Gordon said that the fall in margins was mainly due to start-up problems with a new corrugator at Bux, its corrugated packaging business.

The profits included only a few weeks' contribution from United Packaging, the business acquired in the US for an initial $87m in August. However, Mr Gordon was confident that UPC would "significantly enhance the performance of the group" and would add to earnings despite the £33m rights issue of convertible preference shares connected with the acquisition.

The property division showed a 85 per cent gain in trading profits, to £1.6m. The group has five schemes in various stages of development.

Interest payable of £175,000 compared with £239,000 receivable, and Mr Paul Mower, finance director, said balance sheet gearing would be 70 per cent at the year-end. Mr Gordon stressed this would not stop the group looking at small acquisitions. Overheads rose 22.9 per cent to £322,000.

After tax provided at 35 per cent, earnings per share, fully diluted, were 6.14p (5.01p) and the interim dividend is up by 43 per cent to 1p.

Highland Participants sharply ahead at £1.8m

HIGHLAND Participants, Mr Peter de Savary's fast-expanding maritime industries group, yesterday unveiled a surge in profits from a restated £210,000 to £1.79m pre-tax for the first half of 1988.

Turnover totalled £20.6m (£4.87m). The directors said all three divisions – land, energy and marine – had performed to or above expectations. In particular, performances of Falmouth Shiprepair and A&P Appledore Group had been extremely pleasing.

Since the half year end all divisions had continued to perform to budget. In addition, an encouraging start had been made by the recently-formed harbours division which was expected to show a satisfactory profit for the year.

First half earnings emerged at 8.1p (0.3p) and, as foreshadowed by Mr de Savary in June, a maiden interim dividend of 1p is being paid.

Highland, traded on the USM, also announced that it had agreed to form a 50-50 joint venture with London and Edinburgh Trust for the purpose of developing the non-airport related land acquired in connection with the Findhelp deal announced earlier this week.

The plan is to transfer the entire 363-acre site, which includes Southampton (Eastleigh) Airport, into a joint venture company at a price of £60m. As part of the agreement Highland will be granted an option, exercisable during 1991, to purchase LET's interest in the airport and its related ancillary land and buildings for £8.75m.

LET will also have an option to sell its interests in the same property to Highland at the same price.

Safeland to join USM

By Fiona Thompson

SAFELAND, property company, is joining the Unlisted Securities Market via a placing valuing it at £11.5m.

Allied Provincial Corporate Services is placing 5.35m shares at 68p, representing 30 per cent of the enlarged capital, to raise £3.2m.

Of the shares being placed, existing shareholders are selling 2.3m and 3.03m new shares will raise £1.7m for the company. This will be used for working capital.

North London-based Safeland is engaged in property trading, refurbishment and property investment, and residential estate agency.

LOFs answering shot

By Vanessa Houlder

London & Overseas Freighters, the UK tanker company, fired an answering shot in its putative bid battle with Norex, when it urged shareholders to disregard the shipping and insurance company's proposed takeover offer.

In a letter to shareholders, LOFs said that, despite requests, it had received no clarification of Norex's proposals and accordingly shareholders should disregard the Norex announcement.

Mr Miles Kulukundis, managing director of LOFs, said that the letter to shareholders was necessary to remove the uncertainty that could jeopardise the shareholders' meetings on Monday and Tuesday that will consider LOFs' refinancing proposals. These proposals hinge around a £4.5m rights issue that would increase its share capital ten fold.

Dunhill shows 23% gain at halftime

STRONG improvements in the trading performance of all three major brand names enabled Dunhill Holdings, luxury consumer products group, to lift profits by 23 per cent to £18.72m pre-tax for the half year ended September 30.

Turnover, including royalties, advanced from £86.23m to £99.87m – the group trades under the Dunhill, Montblanc and Chloé brand names.

Earnings per 10p share improved by 1.3p to 6.9p, after tax of £7.11m (£5.87m), and the interim dividend is being stepped up from 0.9p to 1.25p.

The directors pointed out that the first half results reflected a change in the annual pattern of sales, with the seasonal bias towards the second six months now somewhat less pronounced.

For the 1987-88 year pre-tax profits rose to £35.22m (£24.75m). Rothmans International owns a near 51 per cent stake in Dunhill.

MAI purchase

MAI, advertising and moneybroking group, has secured an interest in 15,500 large poster panels, 35 per cent of the Spanish outdoor market. Europoster, MAI's joint venture with Avenir of France, has paid £7.5m for 46 per cent of Avenir Spain.

Lon Entertainments

London Entertainments, an investment company, virtually doubled its profits from £309,770 to £602,639 pre-tax for the year ended August 31 1988.

Earnings amounted to 11.7p (6.1p) and the dividend for the year goes up from 2.68p to 3p per 20p share.

Gaynor up 26%

Annual sales of Gaynor Group, USM-quoted manufacturer of polythene products, rose 26 per cent from £5.87m to £7.41m. However, the cost of sales rose in line with this and higher operating expenses and interest payable up 90 per cent reduced the pre-tax rise to 11 per cent.

A figure of £681,000 was reported for the year to August 31, compared with £611,000. Tax took £238,000 (£208,000). The recommended final dividend of 1.8p makes a total of 3p (2.67p) on earnings per 10p share of 8.6p (8.1p).

Wade Potteries

Wade Potteries, achieved slightly lower pre-tax profits of £2.31m against £2.32m for the year to July 31. Turnover rose by 14 per cent from £18.47m to £20.99m.

A final dividend of 3.5p (3p) is proposed for a 5p (4.35p) total. Earnings per 10p share moved ahead to 16.23p (14.38p) after tax of £606,396 (£804,623).

Just Rubber up 21%

Just Rubber, USM-quoted manufacturer of synthetic rubber covered rollers, raised pre-tax profits 21 per cent in the six months to July 31 from £353,148 to £427,688. Sales advanced 18 per cent from £1.71m to £2.02m.

The directors are raising the interim dividend to 0.8p (0.7p) on earnings per 10p share of 3.87p (2.99p).

Hanson raises $71m from disposal of Kidde Credit

By David Waller

HANSON, the international conglomerate, is selling Kidde Credit Corporation – a finance company acquired as part of the $1.6bn acquisition of Kidde Inc in 1987 – for $71.4m (£38m). This includes $10m of debt to be assumed by the buyers.

In two separate transactions, Hanson is selling the US operations to a subsidiary of Marine Midland Bank for a net $61.7m, and the Canadian business to Bruncor Leasing, a Canadian company, for $9.7m.

Although the amount raised is small compared to Hanson's cash balances of about £1bn, analysts said the deal provided another example of the company's ability to extract the maximum price for disposals.

Kidde Credit, Kidde's former financing unit, made profits before interest of $4.9m in the year to the end of September, meaning that Hanson secured an exit multiple of some 21 times historic earnings. Net assets stand at about $71m.

The company has been substantially reorganised by Hanson since acquisition. Mr Martin Taylor, vice chairman of Hanson, said it had always been a candidate for disposal, given its area of business and low return on capital.

The company was primarily engaged in providing commercial financing to dealers and end users of construction, materials handling and transportation equipment, including that made by Kidde businesses.

The latest disposal brings the total of assets sold or under contract for sale since the acquisition to $456m. This includes $254m due from the sale of Kidde Fire Protection, which has been put on hold while the US Federal Trade Commission examines the competitive effects.

Further international growth at Albert Fisher

By Ray Bashford

ALBERT FISHER has purchased another three companies in a further move to strengthen its position in the fragmented international and UK food distribution business.

The biggest purchase is of I&S Produce, a Canadian refrigerated trucks distribution company, for an initial consideration of C$4m (£1.8m), made up of $3.2m cash and 364,199 Fisher shares. There is also a maximum deferred payment of C$2.3m, pegged to the achievement of profit targets to the period ending March 31 1990.

Fisher is also buying Southern Produce, a Texas-based fresh fruit and vegetable distributor, for $2m (£1.1m) comprising $1.5m cash and 271,876 shares. A deferred payment of up to $4m is payable if profit targets in the period to August 31 1990 are achieved.

A Wood & Sons, Kent-based fresh fruit and vegetable hauler, has been bought for £2.4m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Telecom, Bulgin (AF), City of London PR, Davy Corp, Foster (J), Hanover Druce, Locker (T), Plessey, Shires Inv, 600 Group, Tax Holdings, Trevian, Young & Co's Brewery.

Finals- Australia Inv Trust, Barton, Capital Radio, Jessups, Morland, Westpac Banking.

FUTURE DATES

Interims-
Airsprung	Dec. 9
Archimedes Inv Trust	Dec. 13
Black Arrow	Nov. 25
Blacks Leisure	Nov. 22
Coalite	Dec. 6
Crosby (J)	Dec. 8

Finals-
Bett Brothers	Nov. 28
English China Clays	Dec. 13

Financial Controller, International advertising agency group, London

The company has an outstanding professional reputation, is privately held and continues to grow rapidly from its own resources.

The position

Reporting to the senior financial officer, the person appointed will work closely with him on day-to-day financial management of some 20 subsidiaries in 10 countries. Salary zone around £30,000 plus car.

Responsibilities

These will cover the following areas:

- budgeting & financial reporting
- consolidation & management accounting
- cash management
- liaison with financial staff in subsidiaries

Requirements

Basic training in a big-eight audit firm and/or training in financial management in a multinational company, preferably with at least 2 years working experience outside of the UK. Age around 30, EEC national, male or female. *Candidates must be fluent in English and at least 1 major European language.*

Reply to Box no: A1052 10 Cannon Street, London EC4PL 4BY

FINANCIAL PLANNING MANAGER

Northern Home Counties — Age 28-35 — c £30,000 + Car + Profit Share

Our client has experienced substantial growth over the past three years by providing customised leasing arrangements to meet client requirements.

This company, a wholly owned subsidiary of one of the UK's most prestigious merchant banks, is planning to diversify and develop their product range. As a result of this expansion they currently require a high calibre individual to join the management team.

Reporting to, and deputising for the Financial Director, your main responsibilities will include:
- control of the finance and accounts functions
- strategic financial planning and budgeting
- evaluation of new products and new market sectors including pricing of products
- liaison with external advisors on all matters including treasury.

In order to meet the challenge that this position offers, you will need to be a qualified accountant who has gained significant exposure to the leasing, or instalment credit industry. Other prerequisites include –ambition, commercial awareness and the ability to work in a small, highly motivated team.

Interested applicants should telephone Jayne Bowtell on 01-437 0464 or write enclosing a detailed curriculum vitae to the address below:

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

Queens House 1 Leicester Place Leicester Square London WC2H 7BP

Telephone: 01-437 0464

ACCOUNTANCY APPOINTMENTS APPEAR EVERY THURSDAY

Assistant Treasurer

Midlands — c£28,000 + Car

Our client, a leading British multinational, is seeking to recruit an Assistant Treasurer to be based at Group Headquarters in the Midlands. Reporting to the Treasurer, this is a key role in the planned growth of the Treasury function.

Responsibilities include the expansion and management of the group foreign exchange operations, the development of treasury computer systems, the control of the group's balance sheet currency exposure and borrowings to minimise interest costs.

The successful candidate, aged 26-32, will be familiar with all aspects of Treasury with particular emphasis on foreign exchange and cash management. You will be computer literate and have spent at least two years in the Treasury function of a U.K. company with international interests. You will be intelligent and highly numerate, possibly a graduate and/or a qualified accountant. Strong inter-personal skills, resourcefulness and a confident manner are important attributes. The job will involve travel in the U.K. and occasionally abroad. Salary will depend on age and experience, relocation assistance will be provided where appropriate.

Interested applicants should write enclosing a comprehensive Curriculum Vitae and daytime telephone number, quoting Ref: 278, to Barry Ollier BA, ACA, Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

Financial Controller

East Midlands — c£25k + Car

Our Client is the U.K. subsidiary of a US based multinational group primarily engaged in the food industry. The subsidiary is highly profitable with a turnover in excess of £10m and is involved in both the distribution and manufacture of food ingredients.

The Company wish to appoint a Financial Controller who, reporting to the Finance Director based in Europe, will be responsible for the finance function of the UK operations. In addition the role will also manage the DP function and company secretarial duties. The Financial Controller is a key member of a small management team and will be expected to display commercial flair and awareness.

Applicants should be qualified accountants, ACA, ACMA, ACCA, probably aged between 30-35, with experience of working in an industrial environment. Candidates will have to be highly motivated, able to adopt a "hands on" approach to problem solving and possess excellent man-management skills. It would be an advantage to have experience of U.S. reporting requirements, but this is not a necessity.

The group is experiencing sustained profitable growth and there are for the successful candidate excellent career opportunities. The company is providing a generous salary package including car, private health care and pension scheme.

Interested candidates should write to Tony Hodgins ACA, Executive Division, enclosing comprehensive curriculum vitae, at Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX.

Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

IAN C KING

CHARTERED ARCHITECT

FINANCIAL DIRECTOR

South West London — c. 28K + Car + Equity

Ian C King Limited is an expanding firm of architects, recently incorporated, undertaking a range of commercial and industrial projects. These include major fitting-out schemes in the City, and sports centres for prestigious clients.

Currently employing 30 staff, the practice's growth now requires the appointment of a full-time Financial Director to assume full responsibility for all financial and administrative matters. Key areas will include development of the computerised accounting system and control over purchasing of supplies and services.

Ideal candidates, male or female, aged 30-40, will be qualified accountants with 3-5 years commercial experience. Sound knowledge of sophisticated financial control systems is essential together with the enthusiasm and self-motivation necessary within an energetic company.

The excellent remuneration package includes the opportunity for equity participation, plus executive car and other usual benefits. The Company, currently located in SW1, is about to relocate to Putney.

Please write or telephone, in confidence to: Martyn Gough, Ian C King, Greencoat House, Francis Street, London SW1P 1DH. Tel: 01-630 0322.

INTERNATIONAL APPOINTMENTS

"HORWATH HOLLAND INTERNATIONAL"

requires an

International Taxation Executive

who will be based at

Rotterdam

THE NETHERLANDS

- Professional consultant on matters of international corporate tax planning and cross-border transactions.
- Experience is imperative.
- Age 30 - 40 years.
- Team spirit is essential, for which a good salary (eventual partnership) and secondary/tertiary benefits will be offered.

Please apply in writing to:
H.H.I.
Parklaan 1
3016 BA ROTTERDAM
(any correspondence will be treated with utmost confidence)

Finance Director

CITY OF LONDON — Circa £35,000 + Car + Full Benefits

Our client, a privately owned company, turnover £1M+ is involved in all aspects of high quality printing and marketing, servicing an impressive client list made up of international household names.

The company are now planning to expand their operation significantly over the next few years.

In accordance with the plans for expansion they now wish to appoint a Finance Director who will set up the finance and accounting function and also play a major role in the overall development and running of this already successful business.

Candidates will be qualified accountants aged 30 — 40 years who have already gained excellent commercial/industrial experience since qualification within smaller sized organisations.

Please send a hand-written covering letter and CV to Mr R N Collier quoting ref. no. BMI.

MOORES & ROWLAND

Clifford's Inn
Fetter Lane, London EC4A 1AS

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED
A MEMBER OF MOORES ROWLAND INTERNATIONAL

FINANCIAL ACCOUNTANT – LEISURE INDUSTRY

S.E. England — £20-£25,000 + Car + Benefits

Our client, a major forward thinking force in the leisure industry, recognises that part of their success is due to their particular management style.

Due to continuing expansion, the Company has identified the new role of Financial Accountant to take responsibility for four key divisional areas; Statutory and Cash Flow Reporting, Monitoring Balance Sheet, Liaison with Auditors.

The role requires strong technical skills which will also enable you to monitor developments in the accounting industry and their impact on the Company. You need to demonstrate first class communication skills in order to further develop and manage a team.

You are likely to be a CA, either newly qualified or with a couple of years' post qualifying experience. This new role is an ideal first move out of practice into commerce and will provide ample scope for future career progression within the Company.

In return you will be rewarded with a generous remuneration package, plus company car and benefits, together with reasonable relocation expenses where necessary.

For further information, please telephone Stephen Edwards on 01-538 5147, or at home on 0424 882913. Alternatively, send your CV to Algama, 5 Raleigh House, Waterside, London E14 9SN.

ALGAMA

Executive Recruitment Consultants

LONDON • BRUSSELS • PARIS

Director of Finance and Administration

City Law Firm — c£40k + car + bonus

This medium-sized firm (currently with a complement of 80+) operates in a profitable niche market. Taking pride in their professional excellence and challenging approach, the Partners recognise that the firm will benefit from the contribution of a purposeful Director of Finance and Administration.

The Director will play a key part in enhancing profitability and developing and co-ordinating future strategy. Joining as part of a recently created management team of three which runs the firm, the Director will have a particular remit to improve the quality and efficiency of all support services and computer-based systems to fee earners.

Candidates will be senior professional managers with sound commercial experience. They will be qualified accountants aged mid 30's to mid 40's who can demonstrate outstanding communication skills and be of an independent mind, whilst commanding the confidence of Partners to lead a management team of diverse skills.

Please write in confidence to Clare Tattersall, quoting reference CT62, enclosing your curriculum vitae, current salary package and daytime telephone number at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION

A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

INTERNATIONAL FUNDS Accountant

Base: Luxembourg
Salary: £23K neg + bens

We are a small team of English Fund Administrators, part of an Offshore Financial Services Group. In order to cater for our continued expansion we are now looking for a newly qualified accountant who is:

- keen to work in Europe
- ambitious, lively, motivated
- looking for responsibility
- highly numerate and at ease with PCs

An excellent package will reward the successful applicant, this includes a profit related bonus, re-location assistance and possible future share of equity.

Applicants should contact Rod Bailey or Vivienne Hines on 01-600 0101 or write to them at

Rochester Recruitment Ltd,
Garrard House,
31-45 Gresham Street,
London EC2V 7DN.

ROCHESTER
International Search & Selection

PA TO PARTNER
c £28,000
CENTRAL LONDON

Our client, a small, but progressive firm of Chartered Accountants, seek an ambitious qualified (ACA preferably) to assist the Senior Partner with the maintenance of an impressive client portfolio and the monitoring and supervision of an audit team. Personal and corporate taxation experience would be useful although not essential.

In the first instance please send a detailed CV to: David Paton, Executive Search Division, Hynes Associates Ltd, Wells House, 77-79 Wells Street, London W1 Tel: 01-580 5522

APPOINTMENTS WANTED

TEMPORARY OR PERMANENT WORK REQUIRED

By qualified Chartered Accountant with 3 years work experience in FX, Futures, Options, Bullion and Energy. Hourly rate negotiable.

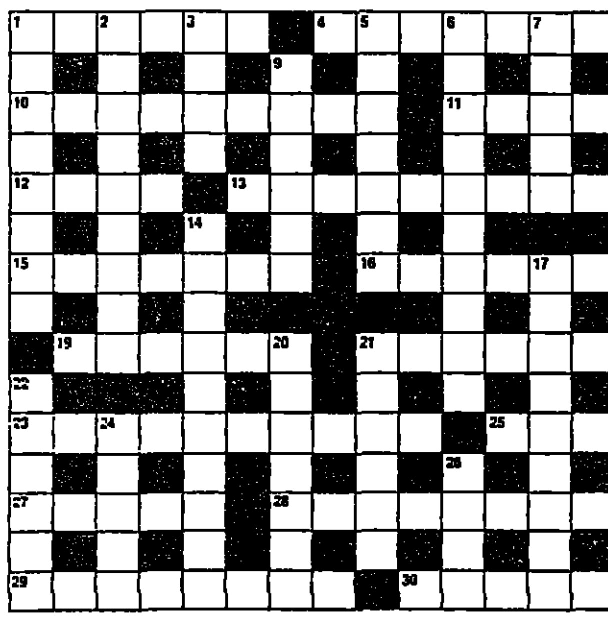
Please Contact 01-370-4476
Curriculum vitae available on request.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,788 Set by VIXEN



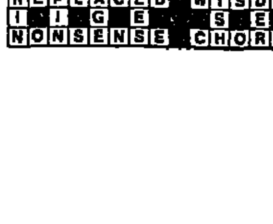
ACROSS

1 Question the mother first: that's material (6)
4 Circumspect about clothing, being sick to death of conflict (3-5)
10 Average lot, yet outstanding (9)
11 Leaves out an order – it's to follow (5)
12 Certain foreign coinage no longer current (4)
13 Training in occupying a supporter (10)
15 A bit of a problem in entertaining the famous (7)
16 Beats slippery customers – about ninety (6)
19 A point against having animals around in town (6)
21 Firm about simple non-alcoholic drink (7)
23 Getting little rest maybe after a little publicity run (10)
25 A beast is backed up to some degree (4)
27 Few find the contents touching (5)
28 Satirical characters could well be bigoted (9)
29 Turning ten in – even number (8)
30 Dreadful tease interrupting a jerk (6)

DOWN

1 Section in a legal document that's withdrawn (8)
2 Fish filling used by sailors – an alternative to butter (8)
3 Like a meal-starter served in quarters (4)
5 Make it clear what has appeared in the newspaper (7)
6 A flighty creature, always boring (10)
7 Bail arranged, one offered defence (5)
8 Agreeable people (3-3)
9 An individual who is barely ready to face the world (6)
14 The guy organising an event's most fortunate (6-4)
17 "Sleep is sweet to the — man" (Bunyan) (9)
18 The French in it can't possibly see the ocean (8)
20 Book – that's what's needed for a rainy day! (7)
21 Turning hot and cold, catches an awful smell (6)
22 Note the gun is secure (6)
24 A Scotsman carrying gold – the fool! (5)
26 Look after quiet couple (4)

Solution to Puzzle No.6,787



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 Lesson Rd, Sevenoaks 0732 450161

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Equity Dist	5	324.0	328.5xd	347.6	−1.7	3.20
Equity Acc	5	420.9	426.8xd	451.6	−3.3	3.20
Fixed Int Dist	5	124.3	125.9xd	130.1	−4.6	9.36
Fixed Int Acc	5	210.8	213.7xd	221.5	+0.5	9.36

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TSB American	6	92.76	93.58	99.55	+1.22	2.20
Do Accum	6	99.56	102.43	106.84	+1.31	2.20
TSB Brit Growth	6	53.71	53.71xd	57.14	+0.31	3.31
Do Accum	6	56.20	56.20xd	59.79	+0.32	3.31
TSB European	6	51.91	51.91	55.22	+0.22	1.24
Do Accum	6	53.33	53.33	56.73	+0.23	1.24
TSB Extra Income	6	145.80	149.11	158.63	+0.61	5.78
Do Accum	6	188.20	192.47	204.76	+0.79	5.78
TSB Smaller Cos	6	53.47	53.47	56.88	−1.01	1.98
Do Accum	6	54.42	54.42	57.89	−1.03	1.98
TSB General	6	175.98	178.02	189.37	+3.99	3.42
Do Accum	6	303.93	308.14	327.81	+4.15	3.42
TSB Premier Income	5	47.39	47.85xd	49.84	−0.12	8.88
Do Accum	5	72.75	73.45xd	76.51	−0.19	8.88
TSB Income	6	265.89	268.01	285.06	+3.06	4.98
Do Accum	6	444.43	447.94	476.48	+6.05	4.98
TSB Pacific	6	207.36	210.57	224.01	+1.46	0.40
Do Accum	6	215.99	218.94	232.91	+1.52	0.40
TSB International	6	316.42	320.38xd	340.83	+1.94	0.88
Do Accum	6	399.85	404.83xd	430.67	+2.44	0.88
TSB Nat. Resources	6	58.64	59.86xd	63.68	+0.10	1.39
Do Accum	6	62.15	63.45xd	67.50	+0.20	1.39
TSB Sicial Opps	6	78.94	78.94	83.98	+0.39	2.70
Do Accum	6	90.13	90.13	95.88	+0.44	2.70

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
American Eagle	5	58.69	58.69	62.69	−0.83	3.33
Australia	5	7.356	7.356	7.865	−4.84	0.10
Commodity	5	74.08	74.08xd	79.41	—	0.62
Convertible	5	141.7	142.7xd	153.7	+1.0	4.98
Equity	5	152.9	152.9	164.9	+0.4	3.17
Euro Spec Sits	5	81.94	81.94	88.18	+0.46	1.54
Financial	5	30.05	30.05	32.50	—	2.10
Global Opps Inc	5	54.50	54.50xd	58.75	−0.22	0.64
Global Opps Acc	5	54.91	54.91	59.19	−0.22	0.64

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or −	Yield Gross
Property Oct 31	221.95		—	5.79
Equity Oct 31	774.70		—	3.98
Fxd Int. Sec Oct 31	100.70		—	9.95

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Mngd Pens (Acc)	54.9	58.5	—	0.80

Murray Johnstone UT Mngmt
Minority Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Amer Expt Nov 16	36.8	38.2	+0.0	2.48
Euro Expt Nov 16	41.7	43.7	+0.0	2.39
Fixed Int Ex Nov 16	49.5	51.9	+0.0	9.74
Japan Expt Nov 16	55.6	57.8xd	+0.0	0.84
Managed Ex Nov 17	38.4	39.9xd	−0.4	4.81
SE Asia Expt Nov 16	33.9	35.5	+0.0	2.15
Sm Cos Expt Nov 16	43.3	45.4xd	+0.0	2.9
UK Eqty Ex Nov 16	35.2	36.9	+0.0	4.5

New Court Property Fund Managers

	Bid Price	Offer Price	+ or −	Yield Gross
NC Property	191.5	209.5	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
PDFM Small Co Fd(1)	815.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int. Expt Nov 10	123.0	125.2xd	—	2.70

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intl Exempt	90.46	94.73xd	—	2.92

INSURANCES

AA Friendly Society
Investment Mngt AA & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Sy Nov 11	—	143.4	—	—

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assurance Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co Ltd

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Property Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Scottish Mutual Investments

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

Target Life Assurance Co. Ltd.

TSB Life Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

University Medical General Ltd

Windsor Life Assur Co Ltd

Wesleyan & General Assurance Soc

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102[illegible]	99[illegible]	Treas 11½pc 1989	99[illegible]	+[illegible]	11.59	11.85
101[illegible]	98[illegible]	Treas 9½pc Cnv 1989	99[illegible]	+[illegible]	9.58	11.57
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	+[illegible]	3.09	9.22
102[illegible]	99[illegible]	Treas 10½pc 1989	99[illegible]	+[illegible]	10.57	11.78
102	98[illegible]	Exch. 10pc 1989	98[illegible]	.....	10.12	11.75
103[illegible]	99[illegible]	Exch 11pc 1989	99[illegible]	.....	11.05	11.55
97[illegible]	94[illegible]	Treas 5pc 1986–89	95[illegible]	.....	5.22	9.81
104[illegible]	98[illegible]	Exch 10¼pcCv '89	99[illegible]	+[illegible]	10.30	10.79
107½	102[illegible]	Treas 13pc 1990‡‡	102[illegible]	+[illegible]	12.75	11.03
104[illegible]	100	Exch 11pc 1990‡‡	100[illegible]	+[illegible]	11.01	10.98
107[illegible]	101[illegible]	Exch. 12½pc 1990	101[illegible]	.....	12.28	11.05
93[illegible]	90[illegible]	Treas. 3pc 1990	91[illegible]	.....	3.27	9.18
99[illegible]	95[illegible]	Treas 8¼pc 1987–90‡‡	96[illegible]xd	–[illegible]	8.55	10.75
102[illegible]	95[illegible]	Treas. 8pc Cv 1990 ‡‡	97[illegible]	–[illegible]	8.18	9.46
103[illegible]	98[illegible]	Treas. 10pcCv 1990	98[illegible]	–[illegible]	10.15	10.84
91[illegible]	87[illegible]	Exch 2½pc 1990	88[illegible]xd	–[illegible]	2.82	8.79
107[illegible]	101[illegible]	Treas 11¾pc 1991	101[illegible]	–[illegible]	00.56	10.81
95[illegible]	90[illegible]	Funding 5¾pc '87–91‡‡	91	–[illegible]	6.29	9.90
90[illegible]	86[illegible]	Treas 3pc 1991	87[illegible]	+[illegible]	3.42	8.61
105[illegible]	98[illegible]	Treas 10pc Cv '91 ‡‡	99[illegible]	–[illegible]	10.06	10.23
107[illegible]	100[illegible]	Exch. 11pc 1991	101[illegible]	–[illegible]	10.89	10.58
98[illegible]	92[illegible]	Treas. 8pc 1991	93[illegible]xd	–[illegible]	8.57	10.58
113[illegible]	105[illegible]	Treas 12¾pc 1992‡‡	106[illegible]	.....	12.02	10.42
104[illegible]	98[illegible]	Treas 10pc 1992	99	+[illegible]	10.11	10.38
98[illegible]	92[illegible]	Treas. 8pc 1992 ‡‡	93[illegible]	+[illegible]	8.59	10.42
106[illegible]	99½	Treas 10½pc Cv 1992‡‡	100[illegible]	–[illegible]	10.46	10.38
86[illegible]	82[illegible]	Treas. 3pc 1992	83[illegible]xd	.....	3.58	8.36
112[illegible]	104[illegible]	Exch. 12¼pc '92	105½	–[illegible]	11.62	10.44
117[illegible]	108[illegible]	Exch 13½pc 1992	109[illegible]	–[illegible]	12.33	10.42
97[illegible]	91[illegible]	Treas 8¼pc 1993	93[illegible]	.....	8.87	10.31
105[illegible]	97[illegible]	Treas 10pc 1993‡‡	99[illegible]	–[illegible]	10.07	10.20
115[illegible]	107[illegible]	Treas 12½pc 1993‡‡	108[illegible]	–[illegible]	11.57	10.27

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Loss of confidence hits dollar

THE DOLLAR fell sharply in currency markets yesterday, despite a narrowing in the US trade deficit and in spite of central bank support. The trade gap in September narrowed to \$10.46bn from a revised shortfall of \$12.27bn in August.

Initial reaction to the figures was muted, but the dollar's underlying bearish tone ultimately encouraged selling, and the US Federal Reserve Board entered the market to buy dollars at Y123.00. However, with very few investors holding short positions, there was no rush to cover dollar exposures.

The US unit remained in the doldrums, with yesterday's data failing to provide sufficient support. Comments later in the day by Mr Alan Greenspan, chairman of the US Federal Reserve Board, saw the dollar fall close to key support levels. Mr Greenspan stressed that the need for a further reduction in the US budget deficit is becoming more pressing, because US reliance on overseas funding over extended periods is neither possible nor desirable.

The dollar fell to a five-month low of DM1.7230 from DM1.7450, and finished at its lowest level since December last year against the yen, at Y122.50 from Y123.40. Elsewhere, it slipped to SFr1.4455 from SFr1.4630 and FFr5.8925 compared with FFr5.9600. On Bank of England figures, the dollar's exchange rate index fell from 94.1 to 93.4.

Early trading saw the dollar improve slightly, having spent a quiet time in Tokyo. Sentiment there had been mildly encouraged after comments from Mr Helmut Kohl, West Germany's Chancellor, when he stressed the importance of a strong dollar. Reaction to the trade data in Europe was muted to some extent, partly due to the closure of West German financial centres for a public holiday.

Sterling maintained a very steady overall trend throughout the day, making net gains against the dollar but losing a little in terms of its major European trading partners.

The pound rose against a weak dollar to \$1.8215 from \$1.8070, but fell against the D-Mark to DM3.1400 from DM3.1525. It was also weaker against the Swiss franc at SFr2.6325 from SFr2.6450 and FFr10.7325 compared with FFr10.7725. However, it was stronger in yen terms at Y223.25 from Y223.00. On Bank of England figures, its exchange rate index finished at 77.1, unchanged from the opening and little changed from Tuesday's close of 77.0.

The French franc remained steady against the D-Mark, during the morning but started to fall in the afternoon as the dollar lost ground. The D-Mark moved up to finish at FFr3.4200, a key resistance level, which the Bank of France is expected to defend. The D-Mark opened at FFr3.4165 and was back to Tuesday's close of FFr3.4160 shortly after the US figures became known, before improving in the afternoon.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4221	+2.27	+0.86	±1.5344
Danish Krone	7.85212	8.00870	+1.99	+0.58	±1.5404
German D-Mark	2.05853	2.07183	+0.65	-0.76	±1.0981
French Franc	6.90403	7.07876	+2.53	+1.12	±1.3674
Dutch Guilder	2.31943	2.33641	+0.73	-0.68	±1.5012
Irish Punt	0.768411	0.775806	+0.96	-0.45	±1.6684
Italian Lira	1483.58	1541.67	+3.92	+3.09	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.16	Latest	Previous Close
£ Spot	1.8225-1.8230	1.8080-1.8090
1 month	0.50-0.49pm	0.50-0.49pm
3 months	1.43-1.41pm	1.43-1.41pm
12 months	4.80-4.70pm	4.80-4.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 16	Previous
8.30 am	77.1	77.1
9.00 am	77.1	77.1
10.00 am	77.1	77.1
11.00 am	77.1	77.1
Noon	77.0	77.1
1.00 pm	77.1	77.1
2.00 pm	77.1	77.1
3.00 pm	77.0	77.0
4.00 pm	77.1	77.0

CURRENCY RATES

Nov.16	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750304	0.657232
U.S Dollar	6.50	1.35715	1.19071
Canadian $	8.75	1.67567	1.46695
Austrian Sch	4	16.6549	14.5635
Belgian Franc	7¼	49.6310	43.4221
Danish Krone	7½	9.15262	8.00870
Deutsche Mark	3½	2.36836	2.07183
Neth. Guilder	4	2.67155	2.33641
French Franc	9½	8.08861	7.07876
Italian Lira	12½	1762.09	1541.67
Japanese Yen	2½	167.540	146.457
Norway Krone	8	8.95990	7.83486
Spanish Peseta	-	156.044	136.574
Swedish Krona	8½	8.24333	7.22641
Swiss Franc	3	1.98347	1.74141
Greek Drach.	20½	196.285	171.760
Irish Punt	-	0.886852	0.775806

*All SDR rates are for Nov.15

CURRENCY MOVEMENTS

Nov.16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.1	-15.5
U.S Dollar	93.4	-13.1
Canadian Dollar	81.8	-5.0
Austrian Schilling	136.6	+10.3
Belgian Franc	99.3	+5.4
Danish Krone	90.5	+0.4
Deutsche Mark	146.8	+21.9
Swiss Franc	170.5	+21.0
Guilder	135.1	+14.1
French Franc	69.7	-14.9
Lira	45.8	-20.5
Yen	252.6	+87.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Nov.15.

OTHER CURRENCIES

Nov.16	£	$
Argentina	22.8210-22.9790	12.5700-12.6500
Australia	2.1265-2.1285	1.1700-1.1710
Brazil	949.25-954.45	522.85-525.40
Finland	7.4825-7.5050	4.1230-4.1240
Greece	258.95-264.15	143.25-146.15
Hong Kong	14.1205-14.1465	7.8050-7.8080
Iran	122.90*	67.30*
Korea(Sth)	1245.45-1255.50	689.60-695.20
Kuwait	0.50790-0.50840	0.28015-0.28025
Luxembourg	65.80-65.90	36.10-36.20
Malaysia	4.8755-4.8875	2.6920-2.6950
Mexico	4146.60-4159.80	2284.00-2290.00
N. Zealand	2.8125-2.8175	1.5510-1.5535
Saudi Ar	6.8030-6.8090	3.7525-3.7535
Singapore	3.5345-3.5435	1.9500-1.9530
S. Af (Cm)	4.3350-4.3525	2.3810-2.3840
S. Af (Fn)	6.6875-6.8135	3.6695-3.7385
Taiwan	50.60-50.85	28.05-28.15
U.A.E.	6.6580-6.6640	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Belgian rate is for convertible francs. Financial franc 66.25-66.35. Six-month forward dollar 2.64-2.59pm 12 month 4.70-4.60pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

November 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Italy	1282¼-1299½	1282¼-1283¼	2.70-5.20liredis	-2.73	8.40-9.10dis	-2.70
Norway	6.55½-6.60½	6.55½-6.56	3.70-4.50oredis	-7.47	8.90-9.70dis	-5.65
France	5.89-5.97	5.89-5.89½	0.35-0.30cpm	0.66	1.10-0.95pm	0.69
Sweden	6.03¼-6.08¼	6.03¼-6.03¾	1.00-1.15oredis	-2.12	2.50-2.75dis	-1.73
Japan	121.00-124.00	122.45-122.55	0.51-0.48ypm	4.83	1.50-1.47pm	4.83
Austria	12.19¼-12.28½	12.20-12.20½	4.00-2.00gropm	2.93	12.00-8.00pm	3.26
Switzerland	1.4450-1.4690	1.4450-1.4460	0.57-0.54cpm	4.56	1.80-1.75pm	4.86

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.35-36.45.

EURO-CURRENCY INTEREST RATES

Nov.16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅝-11⅛	11⅛-11⅝	11⅞-11⅞	12⅛-12⅛	12⅛-12⅛	12¼-12⅛
US Dollar	8⅞-8⅞	8⅛-8⅞	8⅝-8½	9⅛-9	9⅛-9	9⅛-9⅛
Can. Dollar	10-9⅞	10⅛-9⅞	10⅞-10⅛	10⅞-10⅞	11⅛-10⅞	11⅛-10⅞
D. Guilder	N/A	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅞-5⅞	5⅞-5⅞
Sw. Franc	4⅛-4⅛	4⅛-4½	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
Deutschmark	4⅞-4⅞	4⅞-4⅞	4⅝-4⅝	4⅞-4⅞	5-4⅞	5⅛-5
Fr. Franc	7⅞-7⅞	7⅞-7⅛	8⅛-7⅞	8⅞-8⅛	8⅝-8⅛	8⅞-8⅞
Italian Lire	12-10	11½-10½	11⅛-11	11⅛-11⅛	11⅛-11⅛	11⅞-11⅛
B. Fr. (Fin)	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞
B. Fr. (Con.)	7⅛-7	7⅛-7	7⅛-7	7⅞-7⅛	7⅞-7⅞	7⅞-7⅞
Yen	3⅞-3⅞	3⅞-3⅛	4⅛-4	4⅛-4⅛	4⅞-4⅞	4½-4⅝
D. Krone	7⅝-7⅛	7⅝-7⅛	7⅝-7⅛	8⅛-7⅞	8⅞-8⅛	8⅝-8⅛
Asian $Sing	8⅛-8⅝	8⅝-8½	8⅝-8½	9⅛-8⅞	9⅛-8⅞	9⅛-9

Long term Eurodollars: two years 9⅞-9⅛ per cent; three years 9½-9⅛ per cent; four years 9⅞-9⅞ per cent; five years 9⅝-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.822	3.140	223.3	10.733	2.633	3.543	2337.	2.244	65.85
$	0.549	1	1.723	122.6	5.891	1.445	1.945	1283	1.232	36.14
DM	0.318	0.580	1	71.11	3.418	0.839	1.128	744.3	0.715	20.97
YEN	4.478	8.159	14.06	1000.	48.07	11.79	15.87	10466	10.05	294.9
F Fr.	0.932	1.698	2.926	208.0	10.	2.453	3.301	2177	2.091	61.35
S Fr.	0.380	0.692	1.193	84.81	4.076	1	1.346	887.6	0.852	25.01
H Fl.	0.282	0.514	0.886	63.03	3.029	0.743	1	659.6	0.633	18.59
Lira	0.428	0.780	1.344	95.55	4.593	1.127	1.516	1000.	0.960	28.18
C $	0.446	0.812	1.399	99.51	4.783	1.173	1.579	1041	1	29.34
B Fr.	1.519	2.767	4.768	339.1	16.30	3.998	5.380	3549	3.408	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

UK and US bonds lose ground

STERLING BASED futures continued to lose ground in Liffe trading yesterday. Higher cash rates and sterling's weakness against the D-Mark added to concern that UK base rates may have to rise. Investors are also unsettled ahead of today's release of UK average earnings for September and tomorrow's figures on October money supply and retail prices.

The December long gilt fell from an opening level of 96-00 to a low of 95-23, and closed at 95-24. Trading volume was again brisk, with over 25,000 lots recorded. Short sterling for the most traded March contract slipped to a close of 87.85, having opened at 87.95 compared with 87.96 on Tuesday.

US Treasury bond futures reversed a slightly firmer trend, which developed after September trade data showed a narrower deficit over August. However, the dollar showed signs of renewed weakness during the afternoon and added further upward pressure on US interest rates.

Consequently, the December bond price fell from a high of 89-08 to finish at 88-13, down from 89-00 at the start and 88-22 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	548	615	0	3
92	348	423	0	11
94	149	241	1	29
96	12	119	28	107
98	1	33	217	221
100	0	11	416	363
102	0	5	616	557

Estimated volume total, Calls 1573 Puts 1742
Previous day's open int. Calls 33024 Puts 42902

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	626	626	0	28
84	427	446	1	48
86	228	317	2	119
88	44	200	18	202
90	3	111	141	313
92	2	40	340	442
94	0	22	538	624

Estimated volume total, Calls 478 Puts 511
Previous day's open int. Calls 5304 Puts 5239

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Nov	Calls-settlements Dec	Puts-settlements Nov	Puts-settlements Dec
16500	1690	1694	0	4
17000	1190	1211	0	21
17500	693	772	3	82
18000	257	422	67	232
18500	39	190	349	500
19000	2	69	812	879
19500	0	20	1310	1330

Estimated volume total, Calls 0 Puts 1
Previous day's open int. Calls 0 Puts 7

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 36,049
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

MONEY MARKETS

London rates firmer

UK INTEREST rates continued to edge firmer at the longer end in London yesterday. A weaker dollar, and suggestions that US rates may be increased, added to recent concern that rates in London may come under increased upward pressure.

One year interbank money moved up to 12¼-12⅛ p.c. from 12$\frac{3}{16}$-12$\frac{1}{16}$ p.c., and is now nearly quarter of a point higher from this time last week. Three-month money was also marginally higher at 12¼-12⅛ p.c. from 12$\frac{3}{16}$-12⅛ p.c. Overnight money opened at 11½-11¼ p.c. and touched a high of 13 p.c., before easing back to 10 p.c.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

The Bank of England forecast a shortage of around £150m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £242m. There was also a rise in the note circulation, and banks brought forward balances £40m below target. These were partly offset by Exchequer transactions, which added £210m.

The forecast was revised to a shortage of around £250m, and the Bank gave assistance in the morning of £30m through outright purchases of eligible bank bills in band 4 at 11$\frac{11}{16}$ p.c. A further revision took the forecast to around £200m - before taking into account the earlier help - but the Bank gave no additional assistance in the afternoon. Late help came to £80m, making a total of £110m.

Short term rates in Paris were down from Tuesday's level of 8¾ p.c. at 7$\frac{13}{16}$ p.c. However, this is still above the 5-10 day repurchase rate of 7¾ p.c., normally regarded as the ceiling for short term rates. Trading conditions remained nervous, as a weaker dollar depressed the franc against the D-Mark. By keeping a tight hold on liquidity levels, many traders suspect that the Bank of France is keeping rates high to support the franc.

This has led to suggestions that the 7¼ p.c. intervention rate - used to inject liquidity through four-week sale and repurchase agreements - may be raised at today's tender.

Elsewhere, the Belgian central bank cut its discount rate to 7.25 p.c. from 7.50 p.c., while the special advances rate - equivalent to a Lombard rate - was reduced by the same amount to 7.50 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.16) 3 months US dollars		6 months US Dollars	
bid 8$\frac{15}{16}$	offer 9$\frac{1}{16}$	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

LONDON STOCK EXCHANGE

Early share gains sharply trimmed

THE EAGERLY-AWAITED US trade figures for September were upstaged for a while in London yesterday by the earlier announcement of a joint £1.7bn offer for Plessey, the UK electronics group, from GEC and Siemens of Germany. However, a mid-session gain of 22 FT-SE points in the UK equity sector was substantially reduced later as worries over US interest rates resurfaced.

The US trade deficit of $8.97bn on a customs basis for September was a lower figure than the most optimistic London forecasts. On a CIF basis, the deficit was cut to $10.46bn from $12.27bn in August.

While the US trade numbers met the best expectations, they by no means dispelled worries in London about US interest rates. Noting the dollar's sluggish response to the trade news, UK analysts continued to warn that either US prime rates or the Federal discount rate could be forced higher unless the new Bush administration moves to meet the deficit concerns.

The first half of yesterday's session saw share prices rising sharply as the Plessey bid fuelled a market already extending its recovery. Good interim results from several major companies combined with a revival of takeover interest, featured spectacularly by the Plessey bid, to take share prices forward. Property issues were helped by a programme trade, believed to have been operated by Morgan Grenfell, the UK securities house.

The market peaked for the day at FT-SE 1824.4 just as the US trade news reached London. Equities then wavered for a while, before beginning to slide back as Wall Street opened lower. At the close the FT-SE Index was only 5 points ahead at 1807.3; Seaq volume at 549m shares contrasted with 341.8m on Tuesday, but was boosted by heavy trading in Plessey, Ferranti and GEC.

While an Anglo-German bid for Plessey had been mooted in London over the past few days, the terms of the GEC/Siemens offer – a 28 per cent premium on Plessey's pre-bid stock market valuation – sent the shares sharply higher and also ignited other electronics and defence issues.

London was taking an optimistic view of the GEC/Siemens move yesterday, convinced that the bid will find approval from both UK and European Monopoly authorities, unlike GEC's solo bid which was blocked by the UK Monopolies and Mergers Commission two years ago.

With a combined cash war chest of around £6bn, GEC and Siemens are likely to outface any prospective rival bidder. However, Plessey is expected to resist bitterly and an increase of around 20 pc in the bid terms is not ruled out. Analysts united in stressing the value to GEC's telecommunication operations of the link with Siemens.

Account Dealing Dates

First Dealings:	Oct 31	Nov 14	Nov 28
Option Declarations:	Nov 10	Nov 24	Dec 8
Last Dealings:	Nov 11	Nov 25	Dec 9
Account Day:	Nov 21	Dec 5	Dec 19

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov. 16	Nov. 15	Nov. 14	Nov. 11	Nov. 10	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.08	88.12	88.37	88.33	88.53	90.70	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.96	97.26	97.28	97.20	97.28	95.84	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1477.1	1460.9	1452.5	1461.2	1478.5	1309.3	1514.7 (8/8)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	177.9	178.0	178.8	178.2	178.4	285.5	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dv. Yield	4.60	4.63	4.66	4.79	4.73	4.73				
Earning Yld %(full)	12.05	12.14	12.19	12.04	11.91	11.70				
P/E Ratio(Net)(*)	10.03	9.97	9.93	10.06	10.17	10.45				
SEAQ Bargains(5pm)	23,180	21,107	27,381	31,681	23,973	24,702				
Equity Turnover(£m)†	-	772.68	1218.20	1486.99	1165.53	1816.04				
Equity Bargains†	-	22,777	29,203*	32,989	25,846	29,735				
Shares Traded (ml)†	-	254.5	487.5	632.4	467.2	646.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1463.6	1467.3	1468.5	1468.8	1489.5	1486.5	1483.4	1480.1

DAY'S HIGH 1489.8 DAY'S LOW 1463.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.94 †Excluding intra-market business. *Correction.

● S.E. ACTIVITY

Indices	Nov. 15	Nov. 14
Gilt Edged Bargains	105.7	97.0
Equity Bargains	147.6	189.2*
Equity Value	1561.8	2462.3
5-Day average		
Gilt Edged Bargains	103.1	103.6
Equity Bargains	175.9	177.9*
Equity Value	2344.1	2432.5

● London Report and latest Share Index: Tel. 0898 123001

Guessing the value of Plessey

The joint bid for Plessey from GEC and the West German electronics giant, Siemens – at 225p a share in cash, valuing Plessey at some £1.7 bn – triggered a mid-session buying rush for Plessey and also for shares of the other major electronics groups.

Plessey climbed to a best bid price of 245p before turning off and settling a net 48½ higher at 224p as the market braced itself for a takeover battle. Turnover rose to more than 52m shares. GEC, one of the electronics sector's best performers in recent weeks, jumped to 182p prior to closing a net 8½ higher at 181p, with turnover booming and ending the day at 20m shares.

Mr Brian Newman, electronics analyst at Chase Manhattan Securities, said yesterday it was "highly unlikely that the bid will go before the Monopolies Commission." "But it will be bitterly contested," he continued; "the bidders may have to pay up to 275p a share for control".

At Hoare Govett, Miles Saltiel agreed that the bidders "may have to pay up for agreement". Describing the move by GEC/Siemens as "the beginnings of a euro-giant in the electronics industry," he said he did not expect the bid to be referred. Plessey reports interim profit figures today; the range is from around £75m to £85m.

Wardle pounces

Only hours after making a bid approach on Tuesday, Wardle Storeys wasted no time in pouncing on its prey, Armstrong Equipment, with a formal takeover offer which sent its own shares 11 lower to 69p. The terms of the bid are a mix of stock and cash which values each Armstrong share at around 160p, Mr Brian Taylor, Wardle chief executive, claims it is a "full price and more than reflects the recent record of the company".

Initial hopes that the bid might be the opening shot in a battle sent Armstrong shares higher to 170p, but the market later had second thoughts and the price drifted back to 158p, for a gain of 8 on the day. Armstrong directors rejected the offer late yesterday and the feeling grew that Wardle Storeys may have to increase its terms to around 180p per share.

NEI hopes dented

The invitation from Rolls-Royce (R-R) to Northern Engineering Industries to begin talks on future relationships between the two companies dampened speculation of a full bid for NEI. However, at least one leading analyst warned against discounting a full bid, even at this stage.

R-R's revelation earlier this month that it had purchased a 4.7 per cent stake in NEI fuelled hopes that R-R might have wider plans for the heavy engineering group. Some dealers now believe that any link up may be restricted to a joint venture, possibly involving gas turbines for power stations. NEI reacted poorly to the latest development, dropping 2½ to 133½p.

Activity in R-R, up 1½p at 133½p, was increased by news of a £175m aero-engine order from Ansett Worldwide Aviation Services for R-R to supply engines for 15 Boeing 757 airliners.

International issues had a dreary day, failing to rise to the challenge of the US Trade figures and ending tamely in sporadic business. Beecham met little follow-through to Tuesday's news of its drugs Cromakalim and Eminase and the shares fell 3 to 455p. The company reports interim figures today.

Oil shares proved resilient in the face of a sharp decline in crude oil prices — Brent for December delivery dipped some 85 cents after reports that Mexico would be prepared to see oil prices cut to as low as $6 a barrel to defend its market share.

AAH Holdings drew a series of analysts' recommendations following Tuesday's good interim results and the shares spurted 12 to 287p. The research duo of Mr John Aldersley and Ms Jacqueline Candle at Citicorp Scrimgeour Vickers seemed particularly impressed, rating the stock a "strong buy" on the grounds that the figures confirm the overall strength of AAH's business segments. "The yield can only add to the attraction", they said.

Hoare Govett took a similar line, saying: "After this year's upset (referring to the problems created by Unichem) the group should be back on track for sustained growth in excess of the market. The shares should be rated accordingly."

Market hints that one of the leading securities houses had taken a much more bullish stance on the banks sector triggered some strong buying of the two leading issues. NatWest picked up 6 to 542p on turnover of 2.6m, while Barclays was 3 firmer at 412p. Lloyds, despite disappointment at the defeat of its proposed link-up with Abbey Life, was keenly bought and added a similar amount to 325p with 3.1m shares traded.

Encouraging personal pensions figures for the third quarter failed to produce any major support for life stocks which drifted on lack of interest. The County NatWest "switch from General Accident to Guardian Royal Exchange" continued to boost the latter which moved up a couple of pence more to 178p on turnover of 2.2m; Generals lost 6 to 827p on turnover of 1.3m.

Grand Metropolitan rose 9 to 447p in turnover of 3.4m amid talk that Pillsbury might be about to launch a reverse takeover bid. Dealers thought this highly unlikely, but added that behind the rise there was also speculation that the legal battle in the US might be going Grand Met's way.

Whitbread came in for something of a mauling after revealing its interim figures. The shares ended at 294½p, down 7½ after turnover of 1.2m. Analysts commented that the meeting which followed the results was very disappointing.

Irish Distillers jumped 21 to 424p as a broker bid for stock to fill an order which dealers speculated was designed to resolve a technical problem for one of the companies involved in the takeover battle for the Irish company.

Burton dropped 4 to 197p in turnover of 5.2m with dealers predicting full-year profits, due today, of £210m against £183.4m last time.

Bid speculation in Stirling Group heightened following the purchase yesterday of 3.3m Stirling shares by the private company Paisley Hyer which sent the shares a penny higher to 77p. The purchase takes Paisley's stake in the fellow Marks and Spencer supplier to 27 per cent – although with associates it controls 29.9 per cent. Mr Edward Leighton, chairman of both companies, said that Paisley had no intention of launching a full bid at the moment.

The Plessey bid and the forthcoming batch of interim figures galvanised the leading electronic issues. Against the trend Cable & Wireless, which yesterday revealed interim profits of £198m, compared with estimates of as much as £210m, slipped back to 365p before ending the day a net 2 off at 368p; Hoare Govett, which described C & W's figures as "slightly disappointing", has cut its forecast for the full year from £432m to £410m.

The defence issues raced up on the back of Plessey with Ferranti, described by dealers as the new number one bid target in the sector, heavily supported and finally 5¼ to the good at 101p, after 103p. Turnover rose to a massive 28m shares. Ferranti's interim figures are expected on December 1. STC, also targeted as a bid candidate, spurted 6 to 282p with 3.1m traded, while Racal edged up to 288p on turnover of 7m.

British Telecom, scheduled to unveil interim figures today, closed unchanged at 247p on turnover approaching 5m. George Scholes, another so-called bid candidate, added 15 at 230p, while UEI jumped 10 to 419p.

Camford Engineering rose 16 to 191p on suggestions that it is a possible predator for Armstrong Equipment, itself the subject of a bid from Wardle Storeys. Concentric gained 8 to 242p with a 21 per cent rise in profits and a prediction that the company's satellite dish development is likely to make a significant impact on this year's figures.

Cadbury Schweppes shaded slightly to 394½p amid talk that the US company Hershey is holding a meeting for analysts in London on Friday at which it might reiterate its European expansion plans. Dalgety fell 7 to 312p despite a broker's lunch. Dealers commented that the stock's yield must be an attractive feature.

Bejam was a slightly nervous market as the closing date for Iceland's bid approached and the shares fell 4 to 192p. There was selected profit-taking yesterday amid talk that Iceland will have to decide whether to increase its bid to around 220p per share or to walk away.

The resurgence of takeover moves stimulated heavy late activity in Blue Arrow – volume jumped to 8.3m as the shares rose 6 to 94p. Stories surfaced of an overseas buyer bidding outside the market for large lines of stock, leading a sales trader to say: "There usually is a US flavour to the speculation, but I'm sceptical of revived suggestions of a buy-out at Manpower, the group's American subsidiary".

Erskine House performed strongly as investors became aware of the company's growth strategy. It has recently acquired two concerns and would appear to be adopting a policy of expansion by cash rather than by issuing paper. Turnover increased noticeably as the shares advanced 10 to 211p.

Newsletter investment advice lifted Lilleshall 9 to 178p and Smiths Industries 6 to 268p, while Beazer pushed further ahead to 177½p, up 5½. The expected buy-out at the engineering division of Hestair brought a rise in the shares of 5 to 328p.

Scott & Robertson rose 28 to 265p when hopes of a bid from shareholder Jefferson Smurfit, up 15 at 385p, took stronger hold, while good interim results sent NMC up 6 to 127p and Sketchley higher to 435p. Maxiprint jumped suddenly to 30p before settling a net 5 higher at 27p.

The Leisure sector was mixed, with Trusthouse Forte rising another 2 to 269p as Tuesday's talk abated. Dealers commented that the stock continues to be extremely volatile, but there has been little evidence of substance behind the persistent consortium bid speculation.

D C Cook, the northern-based motor dealer, moved into higher gear following a country broker's recommendation. The house has raised its profits forecast and rates the shares, up 17 at 170p yesterday, cheap.

A large programme trade by Morgan Grenfell with a concentration in the property market gave added spark to the bouyant sector although early gains began to wilt late on.

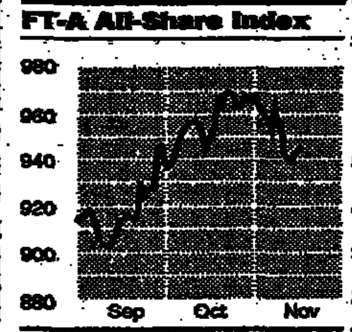
Land Securities gained 7 to 588p after a day's high of 590p as interim profits of £71.4m, up 10.6 per cent, met most analysts' forecasts. MEPC rose 8 to 574p, while British Land finished 4 better at 359p with dealers "paying little attention to takeover rumours." P&O rose 8 to 567p reflecting the company's property interests.

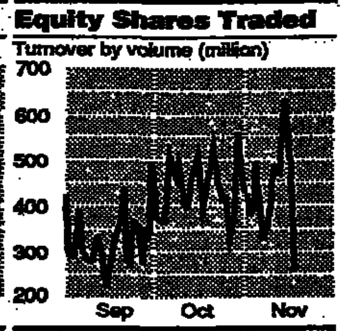
Regalian Properties rose 3 to 142p helped by a 49 per cent increase in interim profits and news of joint venture with Olympia & York to develop Heron Quays in the docklands at an estimated cost of £600m.

Hugh Mackay was badly shaken by the withdrawal of the offer from Allied Textile and the shares plunged to 265p, against the previous day's suspension level of 348p.

Turnover in Traded options was boosted to the high level of 49,250 contracts by business in Plessey, which totalled 12,317 on a matched basis struck shortly after the close, and 13,207on a not immediately matched, as the market reacted to the bid for the company from GEC/Siemens. A continuing feature of the trading was, however, the high share of dealings taken by the FT-SE 100 contract.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27





NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (37). BREWERS (1) Clark (Matthew), BUILDINGS (4) Bailey (B.), Eve Grp., Gleeson (M.J.), RMC, ELECTRICALS (5) Dale Elect., Druck Hldgs., First Tech., Quest Grp., Scholes (G.H.), ENGINEERING (1) ASW Hldgs., INDUSTRIALS (4) Lilleshall, Powell Duffryn, Scott Robertson, Sketchley, LEISURE (1) Airtours, NEWSPAPERS (1) Blenheim Exhibits, PROPERTY (4) Allied London, Bilton (P.), Clarke Nickolls, Lon. Shop Prop. 6.25pc '99-'04, SOUTH AFRICANS (1) Abercom, TEXTILES (1) Palma Grp., TRUSTS (4) F. & C. Pacific Inv. Tst., Fleming Far Eastern, Martin Currie Pac. Wrrnts., Pacific Assets Tst.

NEW LOWS (27). AMERICANS (2) Gandalf Tech. Inc., Ingersoll-Rand, CANADIANS (3) Gulf Canada, Imperial Oil, Nini Business Systems, CHEMICALS (1) Hercules Inc., STORES (1) Blacks Leis., ELECTRICALS (3) Alphameric, Motorola, Optim Grp., ENGINEERING (2) Cauldon Grp., Habit Precision, FOODS (1) Norish, INDUSTRIALS (2) Bluebird Toys, Dover Corp., INSURANCE (1) NZI Corp., TRUSTS (2) Parrish, Silvermines, OILS (1) Sceptre Res., MINES (7) East Rand Prp., Egoli Cons., Independent Res. Ltd., Jolia Mines, Mawson Pacific, Butte Mining, Hemlo Gold Mines, THIRD MARKET (1) Egl'ton Exp.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,800	143	+2	Commercial Union	1,300	322½	-2	Ladbroke	1,100	446	+6	Rothmans	86	455	-1
Abbey Life	1,700	270	-4	Cons. Gold Fields	164	£11⅛	-⅛	Land Securities	3,700	588	+7	Royal Bk. of Scotland	1,400	351	+7
Allied-Lyons	1,600	461	+2	Cookson	2,500	263		Laporte	745	394	+½	Royal Insurance	713	377	+2
Amstrad	1,300	184	+4	Courtaulds	1,800	278½	-½	Legal & General	748	286	-1	STC	3,100	282	+6
Argyll Group	1,300	161		Dalgety	1,000	312	-7	Lloyds Bank	3,100	325	+3	Saatchi & Saatchi	448	349	-2
Ass. Brit. Foods	49	318		Dixons	1,300	141	-2	LASMO	900	491	+1	Sainsbury	914	199	-1
BAA	4,880	282	-3	Eng. China Clays	546	478	+1	Lonrho	3,400	381	-6	Scott & Newcastle	281	390	+1
BAT	1,200	438	+3	Enterprise Oil	299	537	-11	Lucas	398	564	-1	Sears	3,400	125½	+½
BET	1,800	228	+½	FKI Babcock	2,000	130½	+2	MB Group	1,900	260	-1½	Shell Transport	2,200	978	+3
BICC	717	377	+4	Fisons	2,200	237	+2	MEPC	2,420	574	+8	Siebe	2,000	391	+1
BOC	1,200	434	-2	Gateway Corp.	1,200	163	-½	Marks & Spencer	5,560	154		Slough Ests	838	119	+1
BPB Inds.	277	259	+1½	General Accident	1,300	827	-6	Maxwell Comm.	1,200	202	+2	Smith & Nephew	3,000	123	-½
BTR	1,800	289	-½	General Elect.	20,000	178	+5½	Midland Bank	578	407		Standard Chartd.	426	468	+1
Barclays	1,900	412	+3	Glaxo	1,000	£10⅛		Nat. West. Bank	2,600	542	+6	Storehouse	1,850	177	+1
Bass	168	798	-2	Globe Inv.	219	144½	-½	Next	1,200	164½	-1½	Sun Alliance	653	£10⅛	-⅛
Beazer	2,100	177½	+5½	Glynwed Int.	1,200	305	+2	Northern Foods	466	288		T&N	663	175	+2
Beecham	1,800	455	-3	Granada	908	329		Pearson	675	707	-1	TSB	1,300	110	+½
Blue Arrow	8,200	94	+6	Grand Met.	3,375	447	+9	Pearl	112	432	-2	Tarmac	962	238	-1
Blue Circle	1,000	438	+1	GUS A	493	£18⅛		P & O	2,700	567	+8	Tate & Lyle	299	848	-4
Boots	3,000	225½	+1½	GRE	2,200	179	+1½	Pilkington	3,500	221½	+1½	Tesco	3,100	133	
British Airways	2,090	161	-3	GKN	238	314	-1	Plessey	52,750	224	+48½	THORN EMI	535	655	-1
Brit. Aerospace	2,900	475	+2	Guinness	1,800	333		Prudential	2,500	153½	-½	Trafalgar House	499	312½	-1½
Brit & Comm.	609	233		Hammerson 'A'	1,000	658	+8	Racal	6,900	288	+2	Trusthouse Forte	3,700	269	+2
British Gas	2,500	162½		Hanson	2,300	146½	-1½	Rank Org.	289	723	-2	Ultramar	1,850	235	+3
British Land	3,400	359	+4	Harrisons & Cros.	149	683	-6	RMC	332	514	+2	Unilever	1,600	458	-1
BP	4,700	245	-½	Hawker Siddeley	1,000	541	+2	RHM	525	358		United Biscuits	1,300	289	+2
British Telecom	4,900	247		Hillsdown Hldgs.	372	262½	+½	Reckitt & Colman	262	909	+2	Utd Newspapers	609	399	
Burmah Oil	77	517	+2	IMI	1,800	285	+2	Redland	240	415	-1	Wellcome	399	458	+1
Burton	5,300	197	-4	Imp. Chem.	1,400	£10	-⅛	Reed International	768	482		Whitbread 'A'	1,300	294½	-7½
Cable & Wireless	3,850	368	-2	Inchcape	3,100	289		Reuters 'B'	980	476	-4	Williams Hldgs.	1,000	264	+3
Cadbury Schweppes	2,000	394½	-½	Jaguar	1,680	272	-3	RTZ	1,100	445	-4	Wimpey	1,300	245	+2
Coats Viyella	1,200	171½	+1½					Rolls Royce	1,900	133½	+1½	Woolworth Hldgs.	2,100	244	-2

APPOINTMENTS

Financial director of Harrisons & Crosfield

■ Mr Bill J. Turcan has been appointed finance director of HARRISONS & CROSFIELD, replacing Mr D.B. Egerton who is leaving the group on December 31. Mr Turcan is finance director of subsidiary Pauls.

■ LONDON ELECTRICITY BOARD has appointed Mr Alan Towers as financial director from December 1. He succeeds Mr Gordon Rogers who is retiring.

■ THOS. AND JAS. HARRISON, the Harrison Line, has appointed Mr Michael A. Seaford to the board. He remains managing director of S.C. Chambers & Co.

■ DOMINION INTERNATIONAL GROUP has appointed Mr Bob Wilson as managing director of Dominion Financial Services. He will have overall responsibility for the UK personal finance division. He joins from Hoare Govett where he was operations director for FiCS (UK).

■ COURTAULDS has made the following changes. Mr Gordon Campbell, main board director for advanced materials, engineering, and central trading, has added fibres and acetate to his responsibilities. Mr David Giachardi, main board director for research and chemicals, has added bonded fibre fabric. Mr David Wilkinson has been appointed director of corporate communications. Mr Jaime Valls becomes chairman and chief executive, and Mr Jean-Jacques Wagaez deputy chairman and chief operating officer of Courtelle.

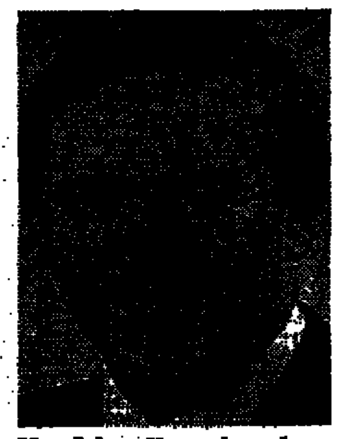
■ Mr Martin Warner has been appointed human resource manager of FRIENDS PROVIDENT LIFE OFFICE. He was director human resources, with Fidelity International.

■ TRIPLEX LLOYD has appointed Mr Arvind Paranjpe as an associate director. He is to launch the group's North American venture. He was president of the Denison division of Abex, in the US.

■ STYLUS MUSIC has appointed Mr Humphrey Walwyn as managing director of its music division. He joins from BMG/RCA Records where he was executive director of BMG Enterprises.

■ CARRIAGEWAY LEASING has appointed Mr Roy N. Roberts as managing director.

■ VERSON HME has appointed Mr Roger Smith as sales and marketing director (designate) from December 1. He was with The Bronx Engineering Co.



Mr John Vyse has been appointed a director of JOHN LAING CONSTRUCTION, and managing director of its UK civil engineering division. He was general manager of the division.

■ Mr Peter Cain has been appointed managing director of MARBAIX LAPOINTE, Watford. He was a director with David Brown Industries.

■ Following the acquisition by C. Czarnikow of HARLEY, MULLION & CO., from Kleinwort Benson, Mr Michael Chataway becomes chairman, and Mr Nicholas Mason, Mr Roderick Mullion and Mr Alan Willmott become directors.

■ BELL LAWRIE, stockbrokers, Edinburgh, has appointed Mr David D. Campbell as an assistant director in the corporate finance department. He was group pensions investment manager of Guinness.

■ SECURITY PACIFIC BANK has appointed Mr Norman Hansen as vice president and head of the hotel division in London. He was a vice president/hotels at Security Pacific Realty Finance Inc., in Los Angeles, and prior to that was director of development for Hilton Hotels Corporation. Ms Sue Butcher, vice president, has joined the bank's leisure division. She was in the international corporate finance group of Chase Investment Bank in London.

FEDERAL EXPRESS has appointed Mr David Wilcock as managing director of the international division.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
27¼	19⅜	Texas Instr. $1	19⅝xd	+⅛	72c	—	2.0
70⅞	43¼	Time Inc. $1	53xd	−⅞	$1.00	—	1.0
21½	15⅞	Transamerica $1	17⅞xd	+¼	$1.84	—	5.8
20¼	13½	TRINOVA Corp.	13⅝xd	+⅛	64c	—	2.6
19	14⅞	USX $1	14⅜	+⅛	$1.40	—	5.2
24⅛	17⅝	Utd. Technologies	21½xd	+⅛	$1.60	—	4.1
34⅝	26¼	US West§	31¼	+¼	$3.52	—	6.3
24⅞	16⅞	Waste Management $1	21⅛	+⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	13⅝	−½	$1.10	—	4.5
33⅛	18¼	♥Woolworth $3½	28⅝	+½	$1.64	—	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‖	174p	.....	—	—	—
32p	9p	♥Abbot Energy Corp.	9p	.....	—	—	—
14¼	916p	♥Amer. Barrick Res.	966p	−18	—	—	—
10p	2½p	American Lightwave	3¼p	.....	—	—	—
47p	7¼p	♥Armeno	9p	.....	—	—	—
76p	37p	Augmitto Expln	45p	.....	—	—	—
14⅞	10⅞	Bk. Montreal ‖	12¼	−⅛	$2.00	—	7.4
769p	514p	Bk. Nova Scot. ‖	616p	−6	76c	—	5.6
18¼	15¼	BCE ‖	16½xd	−¼	$2.44	—	6.7
716p	552p	♥Bow Valley‖	552p	.....	♦40c	—	3.3
13⅝	10½	♥Brascan§	10¼	−⅛	88c	—	3.7
328p	183p	♥Breakwater Res.	202p	.....	10c	—	2.3
12⅞	801p	Can.Imp Bank‖	10¼	.....	$1.16	—	5.2
11½	841p	Can. Pacific ‖	886p	−7	76c	—	3.9
41½	38½	Do. 4pc Deb £100	38½	.....	4%	—	10.4
515p	362p	Central Capital "A" ‖	371p	.....	—	—	—
485p	378p	♥Corona Corp.	393p	−1	—	—	—
886p	264p	Cons. TVX Min.	264p	.....	—	—	—
371p	76p	Danbus Res.	87p	+2	—	—	—
686p	430p	Derlan Inds.	466p	−1	11.75c	—	1.1
14¼	849p	♥Echo Bay Mines	859p	+4	$0.07	—	0.3
40p	11½p	Energex Minerals	15¼p	.....	—	—	—
125p	83p	Euro-Asia Capital Ltd.	88p	.....	—	—	—
386p	222p	♥Galactic Resources	270p	.....	—	—	—
125p	59p	♥Geodome Res.	67p	+3	—	—	—
394p	164p	Granges Expln‖	173p	+2	—	—	—
17p	4½p	♥Gt Pacific Res.	4½p	.....	—	—	—
903p	589p	♥Gulf Canada‖	589p	−5	52c	—	4.0
12⅞	816p	♥Hawker Sid Can‖	919p	.....	$1.08	—	5.7
590p	344p	Henlys Group	416p	+6	—	—	—
10	785p	♥Hudson's Bay ‖	985p	−21	60c	—	3.0
28	20¼	♥Imperial Oil§	20¾	−½	$1.80	—	3.9
20⅞	10⅛	Inco§	15⅝	−⅛	US$0.80	—	2.8
718p	462p	♥Inland Nat. Gas $1	533p	−1	60c	—	5.1
250p	131p	Madeleine Mines	139p	.....	—	—	—
207p	126p	♥Muscocho Expln	180p	.....	—	—	—
187p	50p	♥Nu-l Business Syst. ‖	58p	−6	—	—	—
245p	110p	♥Nevada Goldfields	130p	+2	—	—	—
12	787p	♥Rio Algom	910p	−7	$1.30	—	6.5
17⅞	11½	Royal Bk. Can. §	15¼	−⅛	$2.08	—	6.3
35¼	26⅛	Seagram‖	31	−¼	US$1.20	—	2.1
361p	112p	♥Sonora Gold Corp‖	124p	−2	—	—	—
121p	18p	Spiral Eng.	45p	.....	—	—	—
150p	35p	Tam Pere Tech. Corp. ‖	101p	−5	—	—	—
18¼	11⅛	Toronto-Dom. Bk.‖	15¼	.....	$1.12	—	3.3
684p	566p	♥Trans Can Pipe.	599p	.....	68c	—	5.2
205p	127p	Varity Corp‖	155p	.....	8	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*259	124	ANZ $A1	252	−1	†Q21c	3.1	4.0	8.0
*271	180	Allied Irish β	243	+3	FQ72.9%	3.1	6.4	8.2
£13¼	£10⅞	Algemene Fl.10	£11¼	+⅛	Q27%	1.9	6.5	—
73	58	Anglo Irish γ	68	.....	Q19.69%	1.2	6.1	21.2
90	64	Ansbacher (H.) 1p. β	82	.....	2.0	—	3.3	—
£40½	£24¾	Banco Bilbao Viz.	£37½	.....	Q67.2%	3.1	4.4	7.2
£35⅝	£27¼	Banco de Santander	£31¼	+⅛	Q22%	2.4	1.7	24.2
*272	184	Bank Ireland Ir£1. β	238xd	+3	Q15.67%	3.3	5.5	7.4
£18½	£15	Bank Leumi	£17½	.....	—	—	—	—

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

Australians

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † *Interim since increased or resumed*
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings *indicated*
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ *Cover does not allow for shares which may also rank for* dividend at a future date. No P/E usually provided.
- ▮ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from *capital sources. k Kenya. m Interim higher than previous total.* n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other *official estimates for 1987-88. L Estimated annualised dividend,* cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R *Forecast annualised dividend,* cover and p/e based on prospectus or other official estimates. T Figures assumed. W *Pro forma figures.* Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £960 per annum for each security.

COMMODITIES AND AGRICULTURE

Cocoa seen heading for fifth year of surplus

By David Blackwell

THE GULF between world cocoa production and consumption is continuing to widen, according to the latest Cocoa Market Report from Gill & Duffus, the London trader.

The group's first forecast for the 1988-89 crop puts total production at 2.28m tonnes, well ahead of its revised forecast for the 1987-88 crop of 2.16m tonnes. Although consumption is also continuing to rise, the report estimates a surplus of 181,000 tonnes for 1988-89, compared with a revised 147,000 tonnes for 1987-88.

However, the surplus is not the only problem facing the industry — the Ivory Coast, the world's biggest producer, has thrown a hefty spanner into the works by continuing to withhold its top quality cocoa from the market.

The distortion in the market by the policies of the Ivory Coast, which is only prepared to sell at a high premium to the terminal price, is likely to continue unless its cocoa "can find its way freely onto the market," the report predicts.

The formulation of a deal of some kind with the French, widely rumoured in the market recently, remains a real possibility, says the report. Meanwhile, the Ivory Coast decision last month to maintain its price to farmers without any revision of marketing costs or new credit from banks has led to financial problems, raising the prospect that some cocoa could simply go uncollected.

"The market has not only experienced four consecutive seasons of surplus production, but has now become resigned to yet another in the present season, this time by possibly the greatest margin in the current sequence," warns the report. "Nevertheless, there is insufficient supply of the preferred growths available to the free market and differentials have consequently swelled."

World consumption is growing strongly, but not enough to soak up the surplus. Gill & Duffus has put growth for 1987-88 at 4.9 per cent, and predicts a 4.4 per cent increase to 2.08m tonnes for 1988-89.

The big fall in world prices has given consumption a substantial fillip, says the report, especially in West Germany and the Netherlands. But growth in the US and UK has slowed, perhaps because of the reduced availability of some cocoas.

However, the US and the Netherlands have "demonstrated an earlier than expected willingness to consider blending products derived using Malaysian beans" — which have been tendered to the London futures market in large quantities.

Australia will need oil imports following Bass Strait closures

By Chris Sherwell in Sydney

ALMOST ONE-fifth of Australia's most important oilfield, the Bass Strait off the coast near Melbourne, has been shut in as a result of the fall in world oil prices, the strength of the Australian dollar and crippling excise taxes.

The latest move came last week, when Esso Australia — the operator of the Esso-BHP fields in the strait — closed down a further 40,000 barrels a day of production.

With the September shut-in of the Flounder field, the total is now 65,000 barrels a day. Esso says at least one other field is "very marginal" at present, and could also be closed if the market weakens further.

The price of the Bass Strait's Gippsland crude has fallen from US$19 a barrel in August 1987 to US$12 a barrel last month. In Australian dollar terms the fall is even steeper — from almost A$27 to less than A$15.

The Australian currency has steadily strengthened on the back of firm prices for other commodities and high domestic interest rates. This week it went through 85 US cents to reach its highest level against the US dollar since the end of 1984.

The Esso and BHP decisions are a shock for the Federal Government because they deprive it of much-needed revenues — estimated at A$300m over a full year — in the form of excise and corporation tax. The decisions also mean Australia's oil needs must be made up through imports, which consume foreign exchange.

But the companies insist that, under the present regime, it is simply not commercially profitable to produce "old oil" — discovered before 1975 — which attracts the top rate of excise tax and carries an overall impost of 88 per cent.

According to Esso, even the average tax rate on Gippsland crude is 83 per cent. This is well above the 39 per cent corporate tax rate most Australian companies face.

Esso also says such high tax levels do not make sense when Australian oil production is declining, exploration is falling away and large sums of money are being spent by Esso and BHP to exploit less heavily taxed "new oil".

Although the companies have put forward proposals to phase out the excise taxes, to date they have received no response. They deny that, by shutting in production, they are trying to apply pressure.

They insist that changes in the existing regime are in both sides' interest.

The Government's problem is partly political and partly practical. The oil industry is a lucrative source of revenue. It had hoped to put off a full review of taxation arrangements until 1990.

Industry analysts say developments will ultimately be dictated by the course of the world economy and production decisions by the Opec countries.

Calling the odds on an Opec output agreement

Max Wilkinson finds oil industry pundits as divided as the cartels's members

THE OIL industry has started to call the odds on the next Opec meeting as if it were a horse race in a distant land.

Mr Charlie Maxwell of C.J. Lawrence, the New York broker, offered nine to one on that the Organisation of Petroleum Exporting Countries' series of meetings which start today in Vienna will result in "some form of production limitation agreement." He bets evens that it will be announced at the end of the full ministerial meeting on November 21 and six to four against the agreement being deferred until next year.

Meanwhile a senior trading executive for one of the largest European oil companies pronounces over the luncheon table that he would take no less than four to one against Opec being "successful"; even success, he says, would be an agreement that the 13 members of the cartel privately expected to break.

It is as if the industry is somehow comforting itself with figures for its fearful uncertainty. For example, the news letter Platt's Week reports: "One formerly optimistic non-Gulf source now rates the possibility of agreement as only 50/50."

This frank confession of ignorance reflects two strongly opposed forces acting on the Opec meetings. On the one hand all the major crude producers can see that unless their present competition for market share is curbed, the price of oil will be driven inexorably lower. Opec is now producing some 22m barrels a day, perhaps 15 per cent more than is needed to balance the world market.

The wide agreement that this could quickly result in a collapse from present spot market price levels of about $13 per barrel to well below $10 leads many analysts like Mr Maxwell to the view that Opec will be forced to patch together an 11th hour pact as it has repeatedly done in the recent past.

On the other hand the 1983 production sharing agreement has been torn apart and stitched together so many times that it is now almost certainly past hope of repair. The version of this agreement now in place, but ignored by all the most important players, provides for output of 15m b/d, excluding Iraq, which has refused to accept its notional limit of 1.5m b/d.

The ending of the Iran/Iraq war and the rapid rise in Iraq's production capacity requires a fundamental re-allocation of quotas, which has so far defied repeated attempts at agreement. All the major producers are reluctant to concede market share at a time when few expect crude prices to rise above $15 a barrel, let alone $18, the consensus target for the last two years.

The arithmetic of the meeting is fairly simple. Total output must be cut to about 19m b/d, which, even allowing for the recent buoyancy in demand for oil, is the most that Opec can produce without upsetting the price.

As Caminus Energy, the Cambridge-based consultants point out, this could in theory be achieved by increasing all the "old" quotas by some 15 per cent. But this would give Iran 2.7m b/d, compared with 1.7m for Iraq.

In the real world Iraq will flatly refuse to accept this. It is already producing 2.7m b/d, while new pipelines and tanker loading facilities could soon bring its capacity to around 4m b/d.

Iraq has demanded a quota equal to that of Iran, which it probably wants to be close to 2.7m b/d. Recent signals from Iran suggest that its refusal to accept parity with its old enemy remains adamant. However, it is impossible to guess whether this is just a negotiating position.

Even if Iran and Iraq could agree, it is by no means certain whether the United Arab Emirates and other Gulf states would accept a formula which allocated almost all the the increase in world oil demand to the two former belligerents. The UAE has consistently ignored its "official" quota of just under 1m b/d and is now producing almost twice that amount. The legitimate demands for fair shares from from all other members make the prospect of agreement all the more misty.

The failure of the key ministers to find a solution to this dilemma at their meetings in Madrid last month, and the somewhat desperate comments by senior Opec figures since then, have tended to tip most observers' odds towards pessimism.

The danger for Opec now is that prophecies of gloom may create their own irreversible momentum. Once the major Gulf producers, led by Saudi Arabia, start to believe that a credible agreement is beyond reach, they will be bound to assert their national interests, by pumping as much oil as they possibly can. Saudi production has risen steadily since July, and is now some 50 per cent above its official quota of 4.34m b/d.

Contracts already signed mean that Opec production cannot be greatly reduced until next year. However, if the cartel cannot reach agreement this time and prices collapse, it will be a racing certainty that the 13 will quickly be forced to try again. By that time increasing revenue pressures will have changed the odds yet again.

S Africans study Amazon gold mining

By John Barham in Belem

BRAZILIAN GOLD prospectors have asked South Africa to modernise production techniques and reduce pollution at their 2,000 mines in the Amazon forest.

Mr José Altino Machado, a leader of the Amazon gold prospectors, invited a three-man team of South African gold mining specialists to Brazil on a fact finding tour ten days ago. He says he hopes the South Africans can supply low-tech mining methods that will reduce the use of mercury and increase gold output.

He asked South Africa to design and operate a $6m unit to reprocess tailings at the huge Serra Pelada open pit gold mine. However, Mr Donald Klopper, the South African mining attaché in Rio de Janeiro, said Pretoria will not become directly involved in any mining project in Brazil.

Some 80 per cent of Brazil's gold is produced by the prospectors, most of whom use mercury to separate the gold, but lose over half the metal in the process. In 1987, Brazil produced 84 tons of gold.

There is growing concern over the extent of mercury pollution in the Amazon's rivers. Preliminary research in some of the tributaries of the Amazon River indicate alarming levels of mercury contamination.

However, Mr Chris Richter, a member of the South African team, commented: "There is no secret about better mining. It's all in the textbooks."

The South Africans say the prospectors' real problems are low levels of literacy and technical knowledge. "All the technology they need is already available in Brazil," Mr Klopper said.

The tour also had clear political connotations. Mr Alex van Zyl, the South African Ambassador, said that improving mining methods could also improve his country's image in Brazil.

Pretoria has sponsored several visits to South Africa by Mr Machado and other leading prospectors and government officials. They were favourably impressed with conditions in South African mines.

The ambassador said, however, "the Brazilians wants to keep things low key and we try to keep a low profile."

Brazil has developed close trade and political ties with Black Africa while maintaining cool relations with Pretoria. It has imposed partial sanctions on trade with South Africa.

Only two South African mining companies, Gencor and Anglo American, operate in Brazil, in partnership with local investors.

Philippines plans to auction nickel mine

By Richard Gourlay in Manila

THE PHILIPPINES is planning to sell Nonoc Mining and Industrial Corporation's nickel mine and refinery at auction on January 12.

The Government's Asset Privatisation Trust, which controls the mothballed plant has invited bids for the operation around an indicative price of $300m and says five groups have shown serious interest, including the Government of the Soviet Union, the Bond Corporation of Australia, the Algear Group and Falconbridge of Canada. Others "seriously interested" are BHP, Billiton Metals, RTZ and Philipp Brothers, APT officials say.

It is not the first time since the refinery was closed by a labour dispute in March 1986 that the Philippines Government has said a resumption of mining was imminent. Two months after it closed company officials said bankers would back a resumption of operations, but the plant remained closed.

Earlier this year Mr Johnny Araneta, the Nonoc chairman representing the Government, said the Bond Corp was close to agreeing a package to buy and rehabilitate the plant.

The APT set the $300m target after a valuation in October by what APT officials said was an "internationally recognised" appraiser but refused to identify.

Nonoc projects that the plant can produce 30,900 tonnes of pure nickel a year, 3,000 tonnes of nickel in mixed sulphides and and 1,500 tonnes of cobalt in mixed sulphides. However, the operation produced only 15,000 tonnes of pure nickel in 1985, after reaching a peak of 20,000 tonnes in 1980.

Nonoc now estimates that $50m will have to be spent over a six-month period to rehabilitate the plant before the it can be fully operational.

However, some observers believe at least twice that amount will be needed. They are also sceptical about some of the companies mentioned being prepared to spend so much money on a third world operation with such a chequered history.

"I can't imagine Falconbridge being interested after its experiences in the Dominican Republic," said Mr Neil Buxton of Shearson Lehman Hutton's London metals unit. A dispute over taxation halted the company's exports of ferro-nickel from its Dominican operation for several months earlier this year.

Any bid at auction will have to meet the constitutional restriction limiting foreign ownership of companies exploiting natural resources to 40 per cent. However, the APT says a foreign investor would be able to own 100 per cent of the plant, including the refinery, if the metal reserves are spun off into a separate company that is 60 per cent Filipino owned.

Among the 20 investors invited to bid for Nonoc are a number of local companies. Bankers say these companies may be stretched to find sufficient capital for the local content portion of the investment. They also warn that although the APT is responsible for privatisation, offers of less than $300m could be rejected by other government agencies, particularly the Committee on Privatisation, which includes the secretaries of trade, finance and economic planning.

HUDSON BAY Mining and Smelting Company and Outokumpu Mines have commissioned a new high-grade nickel/copper mine at Namew Lake in northern Manitoba, reports Reuter from Flin Flon, Manitoba.

The US$60m project's production cost is put at $1.60 a lb and by next April it is expected to be producing ore at an annual rate of 475,000 tonnes, yielding 58,500 tonnes of nickel concentrate and 12,250 tonnes of copper concentrate.

EC Ministers store up problems for next month

By Tim Dickson in Brussels

EUROPEAN FARM Ministers face a marathon Council meeting in December if the Greek Government is to emerge with any credit from its six-month Presidency of the EC and Mr Frans Andriessen is to bow out as Farm Commissioner in his hoped for blaze of glory.

This week's session ended on Tuesday night without agreement on the any of the main items on the long agenda, with the result that almost all will be back up for discussion again next month. On top of that Ministers will have their first discussion of the Commission's revised proposal on the controversial incorporation premium aimed at boosting the use of EC cereals in animal feed.

Most progress on Monday and Tuesday was made in narrowing down differences on the important plan for compensating dairy producers unfairly excluded from the milk quota regime when it came into effect in 1984. A new paper set out a number of possible new options — keeping to the original 500,000 tonne additional quota but removing the July 31, 1988 deadline for applications which caused such an outcry — and expectations are high that this sensitive issue will be resolved in December.

The plan for income aids continued to draw fierce fire from its opponents but Athens and the Commission may yet make a final effort next time to woo the sceptics. Also back on the list will be plans to sell off more than half the record 9.3m-hectolitre surplus of wine alcohol, on which Italy and the UK had doubts this time.

Commission officials were pleased with member states' first proper reaction to Mr Andriessen's provisional deal on limiting New Zealand butter and lamb imports. Discussion on the new proposals for tightening up the system of beef intervention also gave cause for encouragement.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices continued to decline on the London Metal Eexchange yesterday, reflecting a further fall on Comex, where follow-through fund liquidation and stop-loss selling emerged, traders said. Analysts said the market retains sound fundamentals, but trade houses are expected to refrain from fresh participation until the investor shake-out has been completed. The weaker dollar, which helped to depress the sterling copper price, was of some help to both the aluminium and zinc dollar contracts. The decline of the dollar once the US trade deficit report had been digested in the afternoon was the dominant factor in providing some support for gold, dealers said. Platinum prices surged as speculators in New York pushed prices up to test $590, continuing the volatile pattern of the market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.50-0.60q	-0.45
Brent Blend	$12.59-2.65x	-.395
W.T.I (1 pm est)	$13.81-3.84x	-0.48

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-186	
Gas Oil	$125-127	+0.5
Heavy Fuel Oil	$59-60	-2
Naphtha	$130-132	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$425.25	+2.00
Silver (per troy oz)♣	639c	-3
Platinum (per troy oz)	$582.6	+6.6
Palladium (per troy oz)	$128.00	+0.75
Aluminium (free market)	$2356	-5
Copper (US Producer)	142⅝-151c	-3⅛
Lead (US Producer)	40¼c	
Nickel (free market)	605c	-20
Tin (European free market)	£4087.5	-32.5
Tin (Kuala Lumpur market)	19.61r	-0.06
Tin (New York)	344.50c	+1.75
Zinc (Euro. Prod. Price)	$1475	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	112.70p	-0.34*
Sheep (dead weight)†	160.48p	-15.4*
Pigs (live weight)†	80.30p	+0.35*
London daily sugar (raw)	$266.4z	-5.8
London daily sugar (white)	$274.5z	-3.5
Tate and Lyle export price	£256.0	-3.5
Barley (English feed)	£110.25	+0.75
Maize (US No. 3 yellow)	£125.5w	
Wheat (US Dark Northern)	£116.00	-1.25
Rubber (spot)♥	51.50p	-0.25
Rubber (Dec)♥	58.25p	-0.25
Rubber (Jan)♥	59.00p	-0.25
Rubber (KL RSS No 1 Dec)	271.5m	-0.5
Coconut oil (Philippines)§	$560w	-5
Palm Oil (Malaysian)§	$410	
Copra (Philippines)§	$380w	
Soyabeans (US)	$177.5	-3.0
Cotton "A" index	59.30c	-0.05
Wooltops (64s Super)	630p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	841	830	850 816
Mar	857	842	860 834
May	840	834	844 832
Jul	842	836	842 836
Sep	843	840	845 838
Dec	872	868	878 866
Mar	885	874	883 873

Turnover 9230 (9124) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 15: 1066.07 (1084.22):10 day average for Nov 16: 1068.55 (1063.07).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1080	1075	1075 1064
Jan	1088	1092	1095 1080
Mar	1095	1095	1100 1085
May	1088	1099	1101 1083
Jly	1089	1110	1100 1085
Sep	1089	1103	1104 1097
Nov	1090	1100	

Turnover: 4234 (2011) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 15: Comp. daily 114.40 (114.58); . 15 day average 113.64 (113.67).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	237.60	240.00	
Mar	230.40	231.60	232.60 229.80
May	224.80	225.80	224.80
Aug	220.40	220.80	221.00 219.00
Oct	218.40	218.80	218.80 217.40
White	**Close**	**Previous**	**High/Low**
Dec	254.50	276.00	
Mar	263.00	263.00	264.50 262.00
May	258.00	259.00	259.50 259.50
Aug	256.00	258.50	257.00 257.00

Turnover: Raw 1482 (2009) lots of 50 tonnes. White 340 (1253)
Paris- White (FFr per tonne): Mar 1560, May 1530, Aug 1525, Oct 1510, Dec 1510, Mar 1505

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	124.25	125.25	125.25 124.00
Jan	123.00	123.75	124.00 122.50
Feb	122.00	122.75	122.50 121.25
Mar	118.50	119.25	118.50 118.00
Apr	114.75	115.75	115.50 113.50
May	114.00	113.50	113.75 113.00
Jun	113.00	113.00	113.00 112.00
Jul	113.50	113.50	

Turnover 4829 (4458) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	109.40	109.00	109.40
Jan	112.20	112.00	112.25 112.05
Mar	115.50	115.35	115.50 115.35
May	118.70	118.50	118.75 118.50
Jun	120.25	120.00	120.25 120.10
Sep	103.10	103.10	103.10 123.10
Nov	105.35	105.35	105.35
Barley	**Close**	**Previous**	**High/Low**
Nov	105.75	105.60	105.75 105.60
Jan	108.60	108.55	108.60 108.20
Mar	111.60	111.50	111.60 111.55
May	113.60	113.25	113.60 113.50
Sep	99.65		99.65
Nov	102.60		102.60

Turnover: Wheat 187 (190) . Barley 310 (58) . Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,725 tonne
Cash	2345-8	2350-5	2358	2355-8		
3 months	2285-8	2280-5	2315/2285	2295-7	2305-15	16,597 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 4,250 tonne
Cash	1262-5	1280-5	1277	1277-80		
Dec. 21	1262-5	1265-70		1265-72		18,040 lots
Copper, Grade A (£ per tonne)						Ring turnover 47,450 tonne
Cash	1660-5	1700-5	1690/1668	1688-90		
3 months	1487-8	1524-5	1518/1480	1515-6	1493-4	66,780 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1570-80	1650-70		1600-20		
Jan. 4	1550-70	1580-610		1580-600		33 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	633-6	637-40		636-7		
3 months	646-9	650-3		650-1		423 lots
Lead (£ per tonne)						Ring turnover 10,300 tonne
Cash	379-81	372-4		379-80		
3 months	374-5	369-70	374/369	373.5-4	373-4	10,984 lots
Nickel ($ per tonne)						Ring turnover 1,530 tonne
Cash	13725-50	13800-14000	13600	13550-650		
3 months	11525-50	11800-50	11650/11500	11500-50	11600-50	5,575 lots
Zinc ($ per tonne)						Ring turnover 12,550 tonne
Cash	1490-5	1480-5	1468	1468-8		
3 months	1400-5	1395-400	1420/1360	1381-2	1415-25	12,510 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	70.0	72.0	
Apr	97.0	94.8	97.2 95.2
May	110.0	107.0	109.0 108.5
Nov	85.0	90.0	

Turnover 221 (241) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	162.00	164.50	
Feb	168.00	170.50	170.00 168.00
Apr	168.00	170.50	169.50 167.80
Jun	159.50	161.00	160.00

Turnover 231 (57) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1520	1490	1525 1497
Dec	1568	1545	1572 1555
Jan	1573	1559	1583 1570
Apr	1605	1590	1613 1600
Jul	1409	1397	1420 1408
BFI	1473	1454	

Turnover 471 (284)

WOOL
Wool values in general were steady or slightly firm by the end of last week and Australian sales brought some quite sharp rises among finer merinos at first. Subsequently some of the ground gained has been lost, but conditions do seem reasonably firm after declines earlier in the month. In Europe there is not much sign that buying policies *among manufacturers* have changed as a result. There is business from time to time, but only at extremely competitive prices and in weights which indicate that outstanding requirements are being covered but nobullish market view adopted. Top prices show little change. Finer merinos are slightly cheaper, but 630p per kg remains the quoted level for 64s super, and 455p for 58s super.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	425-425½	233½-234
Opening	422¼-422¾	233½-234
Morning fix	422.60	233.739
Afternoon fix	423.85	233.591
Day's high	425½-426	
Day's low	422-422½	

Coins	$ price	£ equivalent
Mapleleaf	437-442	240-243
Britannia	437-442	240-243
US Eagle	437-442	240-243
Angel	434½-438½	238½-241¼
Krugerrand	424-427	233-235
New Sov.	100-101	55-55¾
Old Sov.	100-101	55-55¾
Noble Plat	594.30-601.10	326.70-332.45

Silver fix	p/fine oz	US cts equiv
Spot	352.90	638.00
3 months	364.00	653.00
6 months	374.10	666.40
12 months	395.50	696.55

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2200	189	186	62	123
2300	132	139	104	174
2400	88	102	159	234
Copper (Grade A)	**Calls**		**Puts**	
2600	299	233	98	254
2800	190	159	185	375
3000	112	106	306	516

US MARKETS

THE US trade figure came out at 10.46 as many expected, reports Drexel Burnham Lambert. The metal markets were firm for most of the day due mostly to the sharp decline in the dollar. Late in the day, sell stops in silver sent prices falling 10 cents. Copper again lost almost 200 points in December. Trade and commission houses were both active. In the soft commodities cocoa futures appeared be the most active as prices climbed 59 points in March. Trade scale-up buying and speculative short covering helped in the advance. Coffee prices gained slightly in a choppy day. Sugar trading wasquiet. The grain markets featured speculative selling in the beans corn and wheat. Volume was lighter than normal. The meat markets were also quiet as some local short covering kept prices from advancing. Pork bellies lost 42 points in February.In the energy markets local and trade groups were the days best sellers. January crude oil closed down 21 cents in moderate action. Support levels remain at 1352 in the January contract.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	424.5	424.4	424.0	424.0
Dec	425.6	425.6	428.9	424.5
Jan	428.2	428.1	0	0
Feb	430.5	430.3	434.0	429.5
Apr	435.9	435.8	439.0	435.0
Jun	441.3	440.9	444.4	440.6
Aug	447.0	446.6	0	0
Oct	452.7	452.3	0	0
Dec	457.5	457.9	461.5	457.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	580.4	578.2	580.0	574.0
Apr	578.1	578.2	587.0	573.5
Jul	579.6	577.2	588.0	580.0
Oct	582.1	578.7	579.0	577.5
Jan	586.6	583.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	627.7	636.8	0	0
Dec	630.0	639.3	644.0	628.0
Jan	634.8	644.1	0	0
Mar	645.2	654.5	659.0	643.0
May	655.3	664.6	668.5	655.0
Jul	665.8	675.1	677.0	663.0
Sep	676.0	685.3	687.0	687.0
Dec	691.5	700.8	705.5	689.0
Jan	696.5	705.8	0	0
Mar	708.1	717.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.00	136.90	135.00	135.00
Dec	128.00	129.90	131.50	125.80
Jan	124.00	126.50	127.00	124.50
Mar	110.50	110.00	111.50	107.70
May	105.80	105.20	106.20	103.40
Jul	103.80	103.00	104.30	102.00
Sep	102.50	101.50	101.50	101.00
Dec	101.50	100.00	100.50	100.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	13.74	13.90	14.01	13.74
Jan	13.64	13.79	13.90	13.62
Feb	13.53	13.69	13.82	13.53
Mar	13.57	13.75	13.86	13.55
Apr	13.58	13.77	13.88	13.58
May	13.63	13.79	13.86	13.60
Jun	13.64	13.81	13.92	13.64
Jul	13.67	13.83	13.95	13.67
Aug	13.85	13.85	13.95	13.82
Sep	13.75	13.87	14.00	13.75

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4440	4440	4500	4440
Jan	4405	4402	4455	4400
Feb	4310	4300	4390	4300
Mar	4110	4085	4150	4110
May	3810	3770	3860	3800
Jun	3750	3710	3810	3750
Jul	3750	3710	3805	3750
Aug	3850	3760	3850	3850
Sep	3870	3830	3870	3870

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1392	1347	1408	1364
Mar	1445	1386	1450	1410
May	1434	1390	1439	1413
Jul	1438	1399	1442	1418
Sep	1452	1410	1450	1426
Dec	1458	1418	1466	1441
Mar	1488	1448	1480	1480

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	127.27	126.94	127.60	125.70
Mar	127.98	127.38	128.30	126.43
May	126.97	126.50	127.45	125.75
Jul	126.28	125.80	126.40	125.40
Sep	125.63	124.75	125.75	125.75
Dec	125.00	124.30	125.00	125.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs.

	Close	Previous	High/Low	
Jan	9.86	9.98	0	0
Mar	10.16	10.21	10.28	10.15
May	9.90	9.95	10.00	9.89
Jul	9.76	9.81	9.82	9.76
Oct	9.61	9.67	9.70	9.61
Jan	8.63	8.65	0	0
Mar	9.32	9.36	9.32	9.32

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	54.93	55.62	55.40	54.85
Mar	56.16	56.61	56.40	56.10
May	56.60	56.77	56.90	56.35
Jul	57.10	56.71	57.10	56.50
Dec	56.85	56.61	57.05	56.46

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	179.60	182.30	181.75	180.00
Jan	168.50	170.25	169.80	168.10
Mar	168.20	169.40	168.80	167.20
May	168.45	169.20	168.75	168.00
Jul	168.15	169.00	168.50	168.00
Sep	166.20	166.35	166.50	166.50
Nov	162.50	162.75	164.00	162.00
Jan	160.50	160.75	0	0
Mar	160.50	160.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 15	Nov 14	mnth ago	yr ago
1855.9	1853.1	1839.9	1658.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.13	135.41	134.11	128.61
Futures	137.84	138.65	139.03	130.47

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	744/2	743/4	750/0	740/0
Jan	758/0	758/0	764/6	755/0
Mar	770/2	771/0	777/0	767/4
May	775/4	775/0	781/0	773/0
Jul	776/2	775/2	782/0	773/0
Aug	770/0	766/0	774/0	769/0
Sep	738/0	737/0	742/0	737/4
Nov	716/2	717/2	722/6	716/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.91	22.19	22.30	21.90
Jan	22.20	22.47	22.57	22.20
Mar	22.71	22.95	23.08	22.71
May	23.27	23.46	23.55	23.27
Jul	23.65	23.82	24.00	23.65
Aug	23.80	24.00	24.20	23.80
Sep	24.10	24.20	24.20	24.10
Oct	24.25	24.35	24.35	24.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	246.5	246.5	249.2	245.2
Jan	247.4	247.0	249.5	246.0
Mar	246.2	245.7	248.5	245.0
May	243.5	242.7	245.0	242.0
Jul	240.2	239.7	241.5	239.0
Aug	236.5	237.0	237.0	236.0
Sep	231.0	231.0	231.0	230.0
Oct	221.5	222.0	222.0	221.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	264/2	266/0	265/4	263/6
Mar	272/4	273/2	274/2	271/6
May	277/4	278/0	279/0	276/6
Jul	279/2	279/2	280/4	278/2
Sep	267/4	268/2	268/6	266/2
Dec	260/0	260/6	261/6	258/4
Mar	264/0	266/0	266/0	263/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	410/6	413/6	414/0	409/4
Mar	419/2	421/2	421/4	417/4
May	403/4	406/2	406/0	403/0
Jul	383/4	384/0	384/0	381/0
Sep	387/0	387/4	389/0	386/4
Dec	399/0	397/0	399/0	393/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.25	73.35	73.47	73.05
Feb	74.07	73.92	74.22	73.70
Apr	75.27	75.07	75.30	74.85
Jun	73.57	73.57	73.65	73.35
Aug	71.30	71.32	71.35	71.00
Sep	70.75	70.00	70.75	0
Oct	70.30	70.37	70.45	70.27

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.35	41.05	41.40	40.87
Feb	45.37	45.30	45.50	45.05
Apr	44.32	44.07	44.35	43.65
Jun	48.32	48.30	48.40	48.10
Jul	48.55	48.60	48.70	48.35
Aug	47.85	47.70	47.97	47.50
Oct	44.65	44.65	44.80	44.60
Dec	45.36	45.92	45.95	45.90

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.45	44.87	44.67	44.15
Mar	45.05	45.47	45.15	44.65
May	46.67	47.37	46.80	46.40
Jul	47.90	48.37	48.20	47.75
Aug	46.62	47.52	47.45	46.82

WORLD STOCK MARKETS

CANADA

TORONTO

4pm prices November 16

MONTREAL

4pm prices November 16

Total Sales 3,849,108 shares.

INDICES

NEW YORK DOW JONES

INDICES

	Nov. 16	Nov. 15	Nov. 14	Nov. 11	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1522.3	1523.1	1526.9	1558.2	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	726.1	729.7	728.8	744.5	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.80	220.20	220.60	223.40	225 48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5321.60	5307.90	5323.90	(c)	5383.00 (10/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	241.19	240.80	240.39	241.62	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	723.5	722.7	724.4	728.1	772.1 (8/8)	530 6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	390.2	390.4	(c)	397 2 (9/11)	251.3 (29/1)
Ind. Tendance(31/12/87)	151.7	149.8	149.7	(c)	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	(c)	523.55	518.17	518.25	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	(c)	1580.5	1566.10	1566.20	1641.60(27/10)	1207.9 (29/1)
DAX (30/12/87)	(c)	1262.54	1261.84	1252.18	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2566.88	2568.58	2537.99	2583.74	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	579.53	571.88	575.09	591.58	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28996.12	28829.41	28520.90	28489.57	28996.12 (16/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2234.98	2234.15	2219.69	2212.62	2253 10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	271.4	270.7	270.7	272.8	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	236.7	235.5	234.9	235.8	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	420.11	415.29	418.49	419.04	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	998.55	997.83	1002.65	1015.03	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1336.0♣	1346.0	1347.0	1365.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1848.0♣	1850.0	1848.0	1858.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	285.68	285.00	285.57	289.47	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3184.00	3150.80	3167.00	3213.40	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	570.5	567.1	566.5	568.3	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	478.9	476.1	479.0	479.0 (14/11)	401.0 (21/1)

**Saturday Nov. 12: Japan Nikkei (c) and TSE (c)

♣ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	5,026,800	84	− 4½	AT&T	1,639,700	27⅝	− ⅜
Intl Multifoods	3,528,800	30¾	− ⅜	Sears Roebuck	1,566,500	40	− 1⅝
Exxon	2,299,100	41	− 1⅜	Phillips Pet	1,512,800	19½	+ ¼
General Electric	2,159,000	42½	− 1½	BankAmerica	1,499,300	17¾	
IBM	1,852,200	115½	− 2	Navistar	1,495,300	4⅞	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Wednesday 16 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	177.8m	914	+5	Mitsui Real Estate	23.6m	3,110	uch
Kawasaki Steel	74.4m	1,090	-30	Mitsubishi Estate	21.9m	2,820	+70
NKK	57.1m	909	-1	Toshiba	20.9m	1,020	+30
Sumitomo Metal	47.9m	755	-10	Nippon Yusen	17.8m	890	-14
Kobe Steel	27.0m	755	-10	Dainippon Toryo	16.3m	1,160	+110

4pm prices November 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	2.0	16	1274	23⅛	21⅞	21⅞	– ⅝
10⅛	9	ACM n				257	9	d 8¾	9	
12⅛	10¼	ACMIn	1.26e	11.		635	11⅛	11⅛	11⅛	+ ⅛
10⅛	10	ACM M n				316	10⅛	10	10	
12⅛	10⅝	ACMSc	n1.26	12.		855	11	10⅞	10⅞	– ⅛
10⅛	8⅞	ACMSp	n1.01	11.		285	9⅛	9	9	
5⅞	2⅝	AMCA	.12e	3.8		10	3⅛	3⅛	3⅛	– ⅛
6⅛	3⅞	AM Intl				1054	4⅞	4⅞	4⅞	
23¼	18⅛	AM Intl pf	2	9.5		18	21¼	21⅛	21⅛	– ⅛
51¼	26¾	AMR			8	3379	48¼	47	47	–1
27	25	ANR pf	2.67	10.		26	25⅝	25⅝	25⅝	
9½	5⅝	ARX			10	342	5⅞	5⅝	5⅝	
58⅛	35¼	ASA	3a	7.6		611	40	39½	39½	– ⅛
20⅛	11	AVX	.12e	.7	12	1728	16⅞	16½	16⅝	– ¼
52⅞	42¼	AbtLab	1.20	2.7	14	3023	44⅞	44¼	44⅜	– ⅛
21⅛	15⅝	AbitiBi g	1			127	16⅛	16	16	– ⅛
13⅞	7⅞	AcmeC	.40	4.9		111	8¼	7⅞	8¼	+ ⅛
8⅞	6⅛	AcmeE	.32b	5.1	27	3	6¼	6¼	6¼	
29½	12¾	Acuan			20	301	22	21½	21½	– ½
17¼	14⅝	AdaEx	2.08e	14.		219	15¼	15⅛	15¼	+ ⅛
16⅞	7½	AMD			14	4055	7⅝	d 7⅛	7⅜	– ⅛
43½	29¾	AMD pf	3	9.9		160	30½	30	30⅜	– ⅜
8½	4⅝	Adobe				67	6¾	6½	6¾	
18½	16¼	Adob pf	1.84	11.		9	17¼	17¼	17¼	+ ⅛
21⅛	19¾	Adob pf	2.40	12.		15	20⅜	20¼	20¼	– ⅛
9¾	5⅞	Advest	.12	1.7	23	x755	7½	6½	7¼	+ ⅛
52½	39½	AetnLf	2.76	5.8	8	1372	47⅝	47¼	47⅜	– ⅛
34¼	20½	AhPb s	.20	.7		645	29⅛	28½	28½	– ⅜
18⅝	13	Ahmans	.88	5.7	9	2220	16	15¼	15⅜	– ⅝

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Continued on Page 43

مكتبة الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 16

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 16

AMERICA

Dow slumps despite smaller deficit

Wall Street

THE Dow Jones Industrial Average fell to its lowest level since early September yesterday after an expected narrowing in the US trade deficit that month failed to give any support to the dollar, *writes Janet Bush in New York.*

The index stood nearly 50 points lower towards the close but then recovered to end 38.59 points down at 2,038.58. Volume was moderately active at 162m shares.

The eagerly awaited trade report showed that September's deficit on a seasonally adjusted basis including freight and insurance costs had fallen to $10.46bn from a revised $12.27bn in August. The August shortfall had previously been reported as $12.18bn.

The total was roughly in line with market expectations and there was little reaction to the figures. The dollar bounced a little and bonds edged higher immediately after the release.

However, downward pressure on the dollar swiftly resumed and the US currency fell to lows of Y122.20 and DM1.7165 in late New York trading in spite of reports that the Fed appeared to have intervened to support the dollar pre-emptively at the Y123.00 level, the day's high.

As soon as the dollar turned lower, so too did stocks and bonds. Adding to a worrying morning were some salutary statements from Mr Alan Greenspan, Federal Reserve chairman, to the National Economic Commission where he was speaking about the federal deficit. Mr Greenspan said an assumption that the federal deficit was benign was clearly false and that the deficit had already begun to eat away at the foundations of US economic strength.

He warned that monetary policy would have to remain relatively tight if large federal deficits were to persist. He also said that the US could not hope to grow out of its budget deficit. For the economy to grow fast enough to engender revenue receipts sufficient to eliminate the deficit would require "an arcane set of assumptions."

Mr Greenspan's comment that the US could not grow out of the budget deficit runs counter to the prevailing view within the Bush team throughout nine months of campaigning, and places the focus firmly on initiatives within the next Congress to cut the deficit.

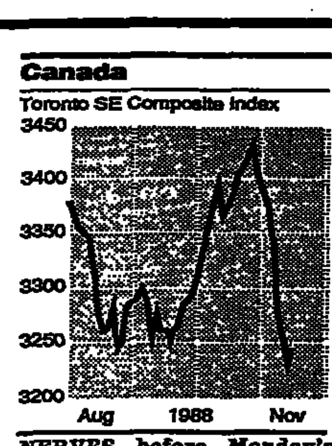
Among other economic figures released yesterday was October's industry operating rate which rose to 84 per cent from 83.8 per cent in September: another measure of economic strength last month.

Among featured stocks was RJR Nabisco, the most actively traded share on the New York Stock Exchange. It fell $4⅛ to $84 after the group led by Forstmann Little and including Procter & Gamble announced it would not make a takeover offer for the company.

Pillsbury fell $2⅝ to $55⅞ after Grand Metropolitan of Britain threatened to lower its $60-a-share offer if the company went through with its plans to spin off Burger King.

Newport Pharmaceuticals slumped $3⅛ to $2⅛ after the company dropped its plans to seek federal approval of its drug used in treating certain pre-AIDS conditions.

Canada



NERVES before Monday's election and worries about Wall Street's slump left Toronto stocks broadly lower in quiet trading, with falling golds and energy issues leading the decline.

The composite index dropped 35.1 to 3,209.8 on light turnover of 20.7m shares.

Norpet Resources gained 18 cents to 50 cents after agreeing to a takeover by Consolidated Norex Resources.

EUROPE

Speculation and US statistics support Paris

THE US trade data had a positive effect in Paris but most other European markets had to wait until today to react, closing as they did before the release of the news, *writes Our Markets Staff.*

PARIS was well supported over a session which saw speculative activity as well as concern over interest rates. The market was up over 1 per cent in early trading, reacted positively initially to the US trade data, and fell back only slightly towards the close to end 0.9 per cent higher.

The OMF 50 index added 3.73 to 408.26.

Chargeurs, the industrial holding company, added FFr54 to FFr1,290 on news earlier this week of a turnaround at UTA, its airline subsidiary, which contributes about half of Chargeurs' profits. Car maker Peugeot continued to benefit from its optimistic profits news, and put on FFr24 to FFr1,215, in spite of indications of a slowing down in the growth of European car sales.

Defence group Matra was heavily traded, ending steady at FFr214 on turnover of about 70,000 shares, as was drinks group Perrier, up FFr11 at FFr1,295 with 58,000 shares. Takeover/merger speculation – some involving main shareholder Exor, up FFr1 at FFr1,200 – was still at play there, said one analyst.

MILAN opened the first day of the new account free of Tuesday's options-related technical selling and, with news of Fiat's plans to seek a listing in London and New York boosting sentiment, shares ended significantly higher.

By the close of trading, the Comit index was up 7.65 at 579.53 in spite of some pre-US trade figures profit-taking late in the session.

Fiat group stocks gained ground on the news that the company plans to launch sponsored American depositary receipts on the New York Stock Exchange. Dealers hope the Fiat ADRs will inspire healthy interest in the car group from US investors. Fiat also suggested it might seek a listing for its shares on the Seaq over-the-counter market in London.

Fiat ended L125 higher at L9,910, IFIL – the key Agnelli family holding company – gained L130 to L4,347, and IFI climbed L440 to L19,690.

FRANKFURT was closed for a national holiday, but news of the joint GEC/Siemens hostile £1.7bn bid for UK electronics group Plessey stimulated interest in Siemens among London investors and dealers.

Siemens opened the day on Seaq International at DM471 and, with investors reacting favourably to the group's annual figures (profits up nearly 10 per cent to DM1.4bn and a dividend of DM11) revealed on Tuesday, the shares quickly gained ground.

The announcement of the GEC link-up and bid for Plessey – which analysts regard as good for the West German group – lifted Siemens to its high of DM474, but Wall Street's weak opening brought the price back a few points to DM470, down DM1 on the day.

Volume in Siemens was described as "better than average", with dealers estimating that more than 100,000 shares changed hands.

SHARES in the Verbund, the huge Austrian electricity utility, were priced yesterday at Sch365 each for the upcoming issue, valuing the 49 per cent privatisation at Sch5.5bn ($447m). The market had been expecting a share price of between Sch335 and Sch375.

Subscriptions for the issue, which will make the Verbund Austria's largest quoted industrial stock, start on Monday and run through next week. Trading starts on December 6.

The Austrian stock market ended yesterday's session stronger, with the Credit Aktien index rising 1.65 to 221.85.

BRUSSELS closed better in light turnover in spite of a cut in the discount rate to 7¼ per cent, a move that had been expected. The cash index rose 13.76 to 5,321.66.

Wagons-Lits, the tourism group, was lifted BFr310 to BFr7,110 on continued speculation. French core shareholder Marceau Investissement is rumoured to be ready to increase its stake in Wagons-Lits, possibly prior to a break-up bid.

ZURICH closed firmer before the release of the US trade data, with the CBS all share index up 5.2 at 919.6. Optimistic projections for corporate earnings growth were aiding sentiment, said one salesman.

BZW forecasts about 11 per cent corporate earnings growth for this year and next – higher than that in Germany – and has upgraded its weighting for the market to neutral.

MADRID reversed course after several days of declines in response to Wall Street's positive overnight performance, with the general index adding 0.68 to 285.68.

Most players, however, were treading water before the US news, due after the close, and before tomorrow's release of domestic inflation figures. Volumes were low at an estimated $70m in value. Analysts expect the October inflation rate to fall by 0.2-0.3 per cent, compared with 0.6 per cent in October 1987.

Telefonica had a poor day, losing 1.8 points to 178.2 per cent of par. Profits forecasts released by the company in recent presentations had been below expectations, said one analyst.

SWEDEN was buoyed by bargain-hunting, with the impending release of corporate results feeding through into gains for select issues. The Affärsvärlden index climbed 0.5 to 944.0. Atlas Copco free Bs rose SKr3 to SKr246 after Tuesday's news of sharply higher profits.

AMSTERDAM made little ground in lacklustre trading with sentiment still dominated by dollar worries. The CBS all-share index closed up just 0.2 at 97.3.

HELSINKI enjoyed its first gain in eight trading days with turnover more than doubling to FM44m. The Unitas all-share index rose 0.8 to 723.5.

ASIA PACIFIC

Tax reform developments help Nikkei to new peak

Tokyo

THE POSITIVE mood in Tokyo was little affected by the impending release of the US trade figures, due after the market's close, and share prices continued to rise to another high on broad-based buying, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed up 165.71 at 28,986.12 after fluctuating over the session between a high of 29,013.88 and a low of 28,827.76. Issues that advanced outnumbered those that fell by 551 to 363 while 142 issues remained unchanged.

Volume showed a moderate increase to 1.23bn shares from 1.08bn on Tuesday. The TOPIX index of all listed stocks posted a gain of 0.83 to 2,234.96, while in London the climb continued, with the ISE/Nikkei 50 index adding 5.56 to 1,836.59.

"Right across the board people are positive," said an analyst at Kleinwort Benson International. Although institutional investors were hesitant to some degree, before the release of the US trade data, individuals were once again beginning to take an active part in the market, analysts said.

One reason for the return of individual investors was that a package of tax reform bills, including a capital gains tax, was finally seeing signs of a settlement. The uncertainty about the outcome of these bills, and particularly of the capital gains tax, had been a key dampening influence on the market for several months.

Confidence was also supported by the relative stability on the currency market. Fears of a further sharp rise in the yen against the dollar, which in turn could lead to a rise in the US discount rate, have been allayed to a great extent by statements made by Japan's Minister of Finance and key international leaders that there would be co-ordinated intervention to support the dollar against a sharp decline.

The increased activity of individual investors has meant the market has broadened considerably, with share prices rising on a very wide front. Issues that have been neglected for a while and were felt to be low-priced were widely selected.

Among those were the export-dependent electricals, which were felt largely to have reached their lows. Such issues were also helped by yesterday's relative stability of the yen against the dollar.

Strong performers among electricals included Sony, up Y160 at Y5,960, Matsushita, Y80 higher at Y2,290, TDK, advancing Y210 to Y4,070, and Hitachi, rising Y70 to Y1,520.

Pharmaceuticals sustained their upward momentum following recent underperformance. Dainippon Pharmaceutical, which has dropped about 36 per cent since it reached a high for the year of Y3,130 in April, firmed Y90 to Y2,210. Yamanouchi Pharmaceutical closed up Y50 at Y3,850, after reaching Y3,910 on bargain-hunting, amid expectations of better earnings as well as the feeling it had reached a low.

Mitsubishi Kakoki, a medium-sized maker of oil and chemical equipment, was another laggard which featured, advancing Y100 to Y753. The issue had been about 20 per cent lower than the record high set in June.

Large capital steels were yesterday's volume leaders but generally lost ground. Nippon Steel, the most actively traded with 177.8m shares, closed up Y5 at Y914. Kawasaki Steel, second in volume at 74.4m shares, lost Y30 to Y1,090.

Interest in Osaka shifted also to electricals and laggards. The OSE average rose 203.16 to 26,560.39 and volume was much stronger at 164.7m shares compared with 115.1m on Tuesday.

Roundup

INVESTORS stayed on the sidelines in the Asia Pacific markets yesterday despite Tokyo's record high, with most bourses awaiting the latest US trade figures for direction.

AUSTRALIA resisted the opportunity to embark on a selling spree after worse-than-expected balance of payments figures. With shares well supported in the wake of strength of overseas markets the All Ordinaries index eased just 0.8 at 1,522.3 on turnover of 108m shares worth A$148m.

October's A$1.69bn balance of payments deficit – well above the analysts' range of A$1.2bn to A$1.5bn – had surprisingly little effect on the market's mood. The wait for the US trade figures was more of a factor in the subdued nature of the day's trading.

Leading stocks were mixed, with BHP falling 4 cents to A$7.26 and Adsteam losing 12 cents to close at A$5.74. ICI slipped 10 cents to A$6.50, in spite of the healthy rise in profits announced on Tuesday.

Among firmer stocks, News Corp gained 10 cents to A$10.40 on recent figures and TNT added 20 cents at A$3.95. Banks remained a good market against the background of higher interest rates. National Australia and Westpac both advanced 8 cents, to A$6.86 and A$5.68 respectively, while ANZ closed unchanged on its opening price at A$5.42.

HONG KONG closed only slightly lower with the market cautious about the US trade figures. The Hang Seng index ended 1.7 lower at 2,556.28 on turnover worth HK$775m, noticeably higher than Tuesday's figure.

Yet again Allied Properties was the most heavily traded stock, closing unchanged at HK$3.80 as nearly 19m shares changed hands. New issue Hop Hing Oil had a successful debut, earning a 54 cent premium on its placement price of HK$1.66.

SINGAPORE managed to end the session marginally higher in thin trading, with news of Tokyo's record high and a firm Wall Street doing little to spur investors on. The Straits Times Industrial index closed 0.72 higher at 998.55 on turnover of about 16m shares.

SOUTH AFRICA

A MIXED performance by gold shares in Johannesburg yesterday followed a rise in the bullion price.

Vaal Reefs fell R6 to R270 and Western Deep lost R1 to R105, while Harties gained 50 cents to R33.25.

Diamond stock De Beers rose 35 cents to R41.65.

Italy scores in the turnover stakes

Jacqueline Moore looks at how European volumes fared last month

As clocks went back and days became visibly shorter last month, leading European bourses continued to shine brightly while the smaller exchanges looked a little less sleepy. Volume soared in Italy, pumped up by political concerns, while West Germany and France experienced their busiest month this year.

October was Italy's most active month since March, as turnover rose by 64 per cent over September, reaching L18,572bn. Nervousness alternated with confidence in Milan as the government vote on whether to abolish the secret ballot system was tabled and then postponed several times – volumes consequently swelled and shrank.

However, after the decision to axe the secret ballot was eventually made on October 13, local and overseas demand grew, pushing the Comit index to year highs for the next six sessions. Italy proved to be Europe's second best performer – after Denmark – in October with a rise of 6.1 per cent over the month, according to the FT-Actuaries World Indices. Consolidation set in on October 21, however, and the exchange ended the month on a quieter note.

A lively car sector and overseas interest helped to raise Germany's monthly turnover by 23 per cent to DM81.9bn, its heaviest volume this year. The DAX and FAZ indices began touching 1988 highs early in the month, with foreign demand for car maker VW one of the driving forces behind the rise. The bourse continued to reach further year peaks at fairly regular intervals for the rest of the month, with volumes seldom less than moderate.

Takeover and stake-building rumours stirred up activity in France, where turnover rose 15.4 per cent to FFr90bn – its highest figure this year. On most days last month, volume was heavy as buyers went in hot pursuit of the latest speculative star or took profits a day or two later. Takeover news or speculation swirled around such stocks as leisure company Club Med, motor components makers Valeo and Epeda, luxury goods group LVMH, construction stock Bouygues and foods group BSN, as well as around moves by the Kuwait Investment Office.

Other countries that were rather more active than they were in September included Spain, which saw demand for bank stocks, and Switzerland, which hit a year high on October 19 after a cut in local interest rates.

Belgian turnover fell, however, dropping 25 per cent to BFr55.9bn after its 70 per cent improvement in September, when interest in Tractebel, the energy and engineering holding company, had helped to expand volumes.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Oct '88	Sept '88	Aug '88	July '88	1st half '88 mnthly av	1st qrtr '88 mnthly av
Belgium	55.9	74.1	43.4	40.2	80.3	116.7
France	90.0	78.0	48.0	70.4	62.0	53.9
Germany	81.9	66.6	52.8	60.1	44.7	42.5
Italy	18,572.0	11,331.3	11,476.0	12,748.0	13,342.6	14,672.0
Netherlands	10.5	8.6	11.8	11.2	9.6	9.9
Spain	401.1	323.4	326.1	348.4	451.4	424.7
Switzerland	15.3	12.5	14.0	14.3	16.15	17.8

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Source: County NatWest WoodMac

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

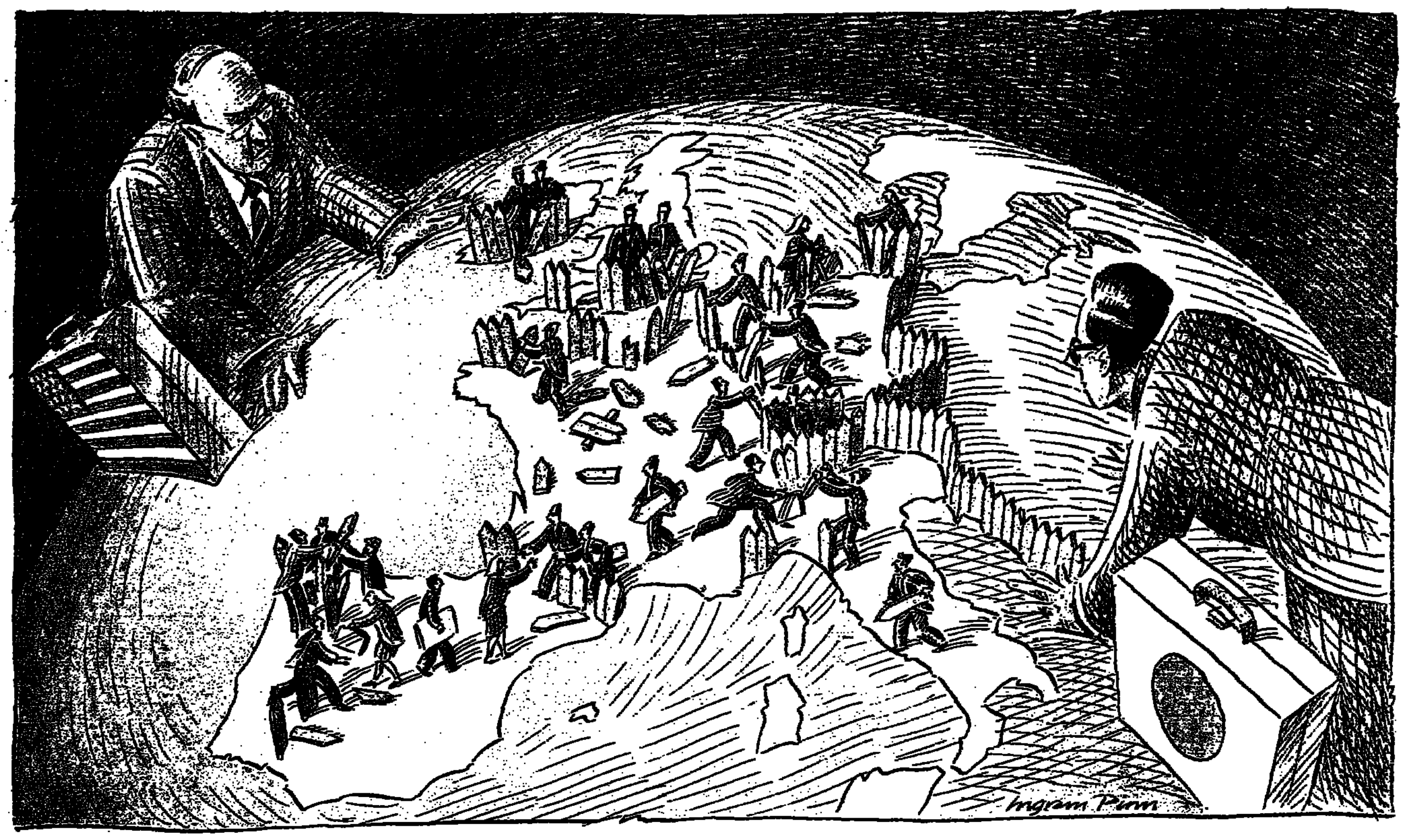
NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 16 1988					TUESDAY NOVEMBER 15 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	148.03	+0.0	120.49	115.25	4.55	148.08	121.50	115.38	152.31	91.16	97.87
Austria (17)	98.28	+1.0	79.99	88.55	2.42	97.31	79.84	88.11	98.34	83.72	92.53
Belgium (63)	133.33	+0.9	108.52	119.69	4.23	132.10	108.38	119.72	139.89	99.14	102.77
Canada (125)	115.00	−0.7	93.61	102.51	3.39	115.85	95.05	103.60	128.91	107.06	101.93
Denmark (39)	149.06	+1.9	121.32	135.27	2.22	146.30	120.04	134.27	149.06	111.42	109.28
Finland (26)	130.14	+0.4	105.93	112.61	1.49	129.67	106.39	112.55	139.53	106.78	–
France (130)	111.56	+1.7	90.80	103.12	3.15	109.67	89.98	102.53	111.95	72.77	85.25
West Germany (102)	86.94	+1.3	70.76	77.87	2.39	85.84	70.43	77.87	87.49	67.78	75.47
Hong Kong (46)	105.74	+0.4	86.07	105.98	4.78	105.32	86.41	105.60	111.86	84.90	87.99
Ireland (18)	132.85	+2.2	108.13	121.67	4.10	130.00	106.66	119.65	144.25	104.60	103.47
Italy (100)	85.48	+2.5	69.58	81.91	2.46	83.36	68.40	80.81	86.73	62.99	76.84
Japan (456)	185.06	+0.8	150.62	143.30	0.52	183.66	150.68	143.26	185.06	133.61	137.56
Malaysia (36)	138.84	+0.5	113.00	144.02	2.98	138.14	113.33	143.67	154.17	107.83	104.04
Mexico (13)	168.55	−0.2	137.19	421.45	1.29	168.91	138.58	422.35	180.07	90.07	150.10
Netherland (38)	109.40	+1.2	89.05	97.09	5.08	108.15	88.74	97.15	111.00	95.23	98.55
New Zealand (25)	73.40	+0.3	59.74	60.50	6.44	73.15	60.01	60.41	84.05	64.42	77.78
Norway (25)	123.48	+1.9	100.51	109.91	2.64	121.16	99.41	108.70	132.23	98.55	111.64
Singapore (26)	119.00	+0.3	96.86	107.02	2.53	118.60	97.31	106.71	135.89	97.99	99.34
South Africa (60)	120.65	+1.0	98.20	97.67	4.71	119.43	97.99	97.96	139.07	98.26	124.04
Spain (42)	151.55	+1.0	123.35	130.65	3.13	149.98	123.05	130.66	164.47	130.73	121.54
Sweden (35)	133.35	+1.5	108.54	119.13	2.40	131.37	107.79	118.15	133.58	96.92	100.68
Switzerland (56)	85.40	+1.9	69.51	76.53	2.20	83.78	68.74	75.99	86.75	74.13	81.63
United Kingdom (318)	138.16	+1.1	112.45	112.45	4.66	136.68	112.14	112.14	141.18	120.66	119.78
USA (577)	107.55	−1.8	87.54	107.55	3.77	109.49	89.83	109.49	115.55	99.19	100.15
Europe (1009)	115.20	+1.3	93.77	99.32	3.72	113.67	93.26	98.98	115.20	97.01	98.48
Pacific Basin (680)	180.38	+0.7	146.82	140.58	0.74	179.08	146.93	140.54	180.38	130.81	134.12
Euro-Pacific (1689)	154.31	+0.9	125.60	124.17	1.64	152.91	125.46	124.01	154.31	120.36	119.89
North America (702)	107.93	−1.7	87.85	107.26	3.74	109.81	90.09	109.14	116.07	99.78	100.24
Europe Ex. UK (691)	100.74	+1.6	82.00	91.34	2.98	99.20	81.39	90.97	100.74	80.27	85.26
Pacific Ex. Japan (224)	124.43	+0.1	101.28	106.41	4.58	124.25	101.95	106.34	128.27	87.51	92.54
World Ex. US (1887)	152.61	+0.9	124.21	123.31	1.71	151.30	124.13	123.20	152.61	120.26	119.34
World Ex. UK (2146)	135.08	+0.0	109.95	118.58	2.09	135.12	110.86	119.23	135.18	111.77	111.14
World Ex. So. Af (2404)	135.43	+0.1	110.23	118.13	2.31	135.34	111.04	118.69	135.43	113.26	111.81
World Ex. Japan (2008)	111.41	−0.5	90.68	104.73	3.78	111.95	91.85	105.65	115.54	100.00	99.61
The World Index (2464)	135.34	+0.1	110.16	117.99	2.32	135.24	110.96	118.55	135.36	113.37	111.89

Base values: Dec 31, 1986 = 100: Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

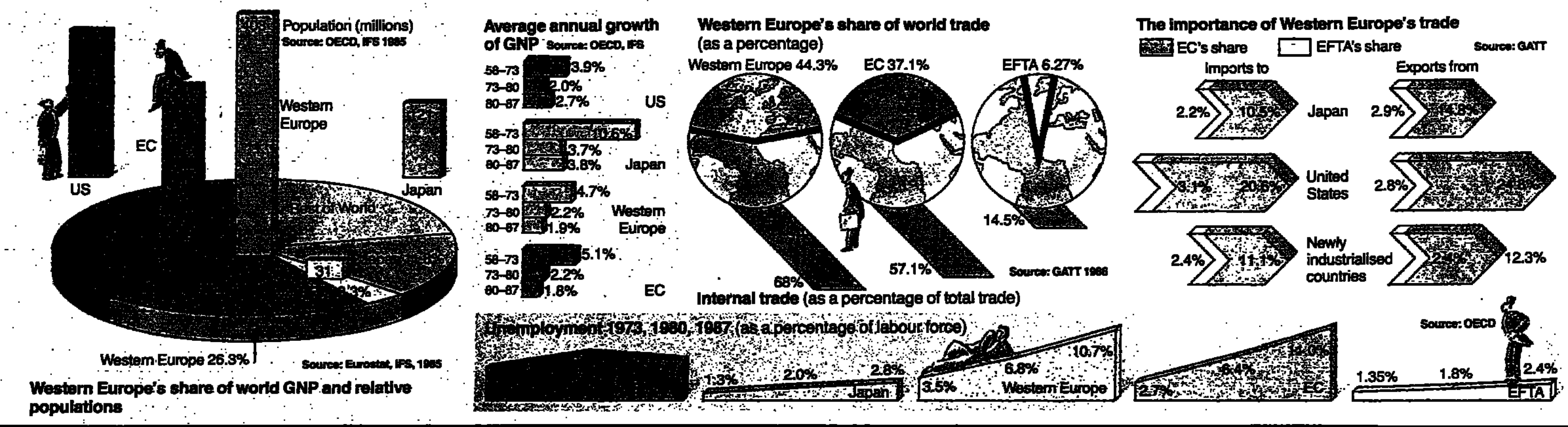
West German market closed November 16.

FINANCIAL TIMES SURVEY

The political and economic order which has prevailed in Europe since the end of the Second World War is being challenged by massive shifts in the geo-political landscape, intensified competition and accelerating technological change worldwide. Pressures to find a common response are growing, symbolised by the European Community's ambitious plan to create a single market by 1992. However, Europe has yet to come to terms with many of the implications of further integration, and to agree on the direction in which it should aim to develop over the longer term.



TOWARDS A SINGLE EUROPE



INSIDE

Guy de Jonquières, international business editor, sets the scene for this survey of Europe's future development

Challenge to the post-war world order

THE 1980s have brought a rude awakening to Europe. After the prolonged paralysis of economic activity and political indecision induced by the 1973 Opec oil shock, Europe is being jolted by the discovery that many of the comfortable certainties of the post-war era have been swept away, to be replaced by discontinuity, turbulence and accelerating change.

In almost every domain — political, economic, social and industrial — structures, policies and rules which have long underpinned Europe's own internal relationships, and those with the rest of the world, are starting to come under mounting strain.

The pressures are becoming so intense that they seem unlikely to be accommodated merely by selective tinkering with the status quo. Increasingly, Europe is being obliged to grope its way forward in search of a new model on which to base its future development.

Nowhere has the sense of an approaching watershed been more apparent than in the flurry of activity and debate generated both inside and outside the European Community by its plan to create a single internal market by the end of 1992.

Four years before the appointed date, 1992 has acquired powerful symbolic importance. Its force as an *idea*, albeit one which is often only loosely articulated, is already overshadowing the expected impact of the specific legislative proposals contained in the EC programme and the (somewhat notional) deadline set for their implementation.

There is, inevitably, a certain amount of public relations froth in all this, whipped up by both government and industry propaganda machines.

The signing of the Treaty of Rome: in 1957 the inspiration was political rather than economic

"Preparing for 1992" has become one of the most overworked slogans of 1988, sometimes used to justify decisions and actions which have only a tenuous connection with the single market plan.

However, the tide of events is also being propelled by underlying changes in business perceptions and market behaviour. Their most visible manifestation is the recent surge of cross-frontier acquisitions, mergers and alliances by companies in Europe.

The increased readiness of firms to venture across borders is contributing in turn to a re-shaping of market structures, suggesting that the vision of an economically more integrated, barrier-free, Europe may be starting to become something of a self-fulfilling prophesy. Even if the 1992 legislative programme ground completely to a halt, the economic landscape would have undergone irreversible changes.

Though some of the methods chosen by the EC to implement it are novel, the idea itself is an old one, dating back to the very beginnings of the Community in the mid-1950s. But the passage of 30 years has seen important changes in motivation.

The Community's founding fathers were inspired above all by the *political* desire to eliminate forever the threat of another war in Europe. Their vision was of a unified federal structure, within which the powers of national governments would steadily wither away. The creation of a single market was seen as a necessary stage on the road to that ultimate goal, not as an end in itself.

But when the 1992 programme was launched three years ago, the primary motivation was *economic*. The plan was conceived then as the best hope — perhaps even the last chance — of revitalising European economies afflicted with sluggish growth rates, high unemployment and declining international competitiveness which were stubbornly refusing to respond to national policy prescriptions.

With hindsight, it is also clear that the single market programme was primarily a reactive phenomenon. It amounted to a belated acknowledgement that Europe must adapt to mounting pressures generated by structural changes occurring in the world economy and international markets — or risk being engulfed by them.

On that much, at least, EC governments now agree. But as the 1992 legislative programme moves ahead, it is throwing up new differences which seem set to generate increasing debate during the remaining years of this century, and quite possibly beyond. At the heart of the debate lie two closely-related questions:

● Have EC governments yet fully faced up to the wider political consequences of increased economic integration — or, indeed, to the further concessions which they may be required to make to ensure the success of the single market programme?

● What longer-term direction will the Community — and the rest of Western Europe — take after 1992, and should it attempt to fix a clear destination in advance?

To some EC government leaders, particularly Mrs Margaret Thatcher, the overwhelming attraction of the 1992 plan was that it seemed to represent a pragmatic, commonsense alternative to political unification, which could yield useful economic benefits with minimal surrender of sovereignty.

To others, particularly the smaller countries among the Community's six original members, the programme amounted implicitly to a reaffirmation of faith in the founding fathers' original grand design — and a back-door way to its achievement.

In practice, the dividing line between the two viewpoints is not as clear-cut as the rhetoric might suggest. Despite Mrs Thatcher's professed opposition to EC centralisation, she has presided over the most substantial transfer of power to Brussels since Britain joined the Community in 1973.

Not only has effective control over key policies, such as agriculture and trade,

'Preparing for 1992' has become one of the most overworked slogans of 1988

steadily shifted into the EC arena, but the trend has been accelerated by the approval in 1985 of the Single European Act, which has greatly extended the use of majority voting in the EC Council of Ministers.

At the same time, other countries, including both France and Italy, which subscribe more readily than the UK to the principle of greater European unification, often display distinct misgivings when it comes to taking the hard practical actions which it implies.

How Europe deals with these political challenges will, more than anything else, determine whether 1992 amounts simply to a limited exercise in pulling down a number of market barriers or develops into the first phase of a much more ambitious drive towards comprehensive integration.

Indeed, it is already becoming apparent that even the seemingly mundane task of removing trade barriers may be difficult to complete — and is unlikely to yield its full potential economic benefits — unless EC members commit themselves more wholeheartedly to common policies, notably in the economic sphere.

In particular, there are widespread uncertainties about how far the EC will be able to proceed with plans to free capital flows and unify its financial services markets without more concerted action to contain the threat of currency instability by achieving closer convergence of monetary and fiscal policies.

Former Chancellor Helmut Schmidt of West Germany has gone so far as to suggest that the whole 1992 initiative will amount to a damp squib unless the Community backs it by taking decisive steps towards the eventual creation of a common currency.

On top of the political reservations in EC capitals, there are also genuine conceptual dilemmas about how far, and in what areas, Europe should deliberately seek to unify national policies, and where its intrinsic diversity makes such efforts undesirable or pointless.

The principle of extensive imposed harmonisation, previously viewed as the route through which European integration was to be achieved, has been abandoned by the authors of the 1992 initiative. Yet, in practice, the idea continues to reassert itself.

In part, its persistent intrusion is due to demands by each of the 12 countries that the others align themselves on its own standards and rules. In some cases, agreement on liberalisation has been achieved only at the price of much more extensive harmonisation than the European Commission had envisaged.

But there are also uncertainties and disagreements, most obvious in the field of financial services, about how extensive a safety net of common regulation is required to ensure that freer cross-border competition does not result in disorderly and unstable market conditions.

Equally important, the Community has still to forge a consensus on the extent to which its pursuit of further integration implies a more forceful assertion of its own economic and political identity, possibly at the expense of its traditional relationships with the rest of the world.

So far, this debate has been conducted largely at the level of slogans, such as "Fortress Europe", "reciprocity" and "European preference". A good deal of political heat has been generated, but precious little light shed on the substantive underlying issues, largely because EC policymakers have been too preoccupied with the internal aspects of the single market to address them seriously.

These uncertainties are increasingly echoed outside the economic sphere, notably

Continued on next page

ON OTHER PAGES

Robert Mauthner looks at the issue of political integration

Better to let things take their course

THE CREATION of a single European market has once again raised the fundamental question of how much greater economic integration will require increasingly integrated decision making. To look at the problem in the stark terms in which it has recently been presented, as the result of Mrs Thatcher's criticism of supranationalism in a speech at the College of Europe in Bruges, is both misleading and unnecessarily dramatic.

None of the main protagonists on either side of the argument are as extreme in their views as is sometimes made out. It might be better to let things take their natural course than make a philosophical issue out of concepts such as "European union" and supranationality. The process of integration has been taking place progressively in spite of the British Prime Minister's publicly expressed attachment to a "Europe of nation states". It is, however, in no danger of reaching for a long time the stage of a fully-integrated political union.

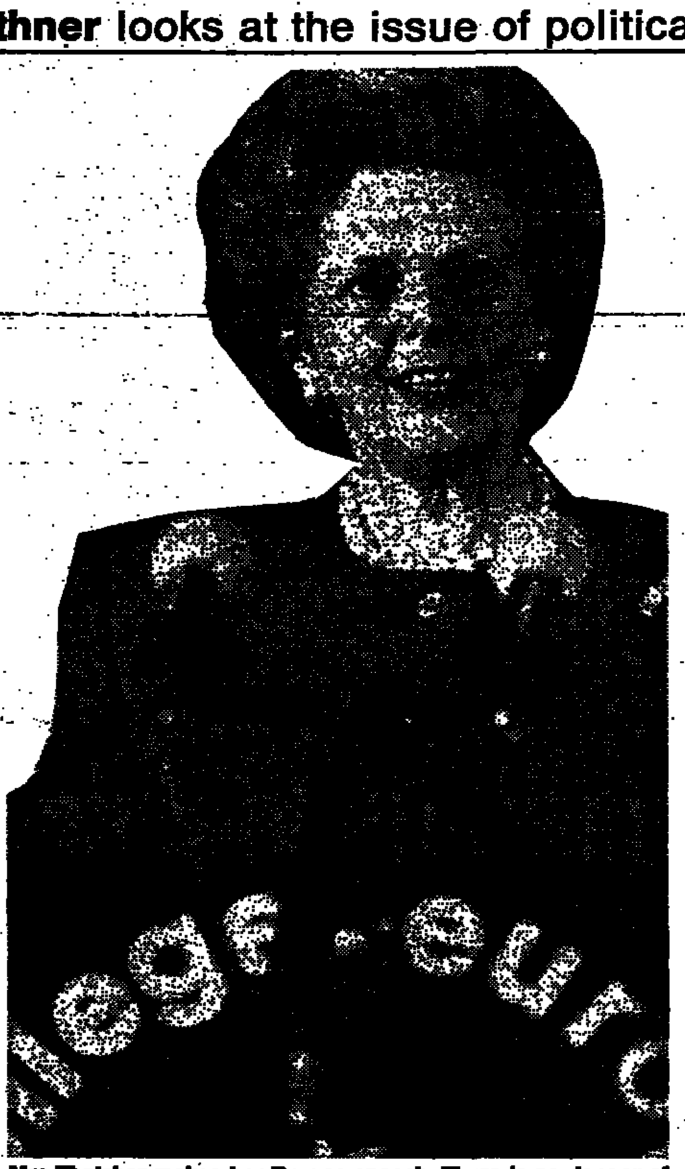
When discussing the future shape of the Community, it is useful to examine what has happened so far. In certain important areas like agriculture, competition policy, trade negotiations, and the Lomé Convention which governs relations with mainly African associated states, considerable power has already been delegated to the European Commission and, ultimately, the European Court of Justice, by the Treaty of Rome and subsequent policies approved by the Council of Ministers.

While the fixing of agricultural prices remains the prerogative of the Council of Ministers, the day-to-day management of agricultural markets, including intervention policies, subsidies and export refunds, is largely in the hands of the Commission.

The Commission, too, has been appointed the watchdog over the Community's competition rules, enshrined in articles 85 and 86 of the Treaty of Rome, a role it has fulfilled since the very inception of the Community in 1958. It has the power to instruct member governments, companies and individuals to rectify actions or policies in restraint of competition or, if they fail to do so, to institute infringement proceedings before the European Court of Justice.

A striking example of those powers in a related area was the recent decision by the Commission obliging the British government to reduce the amount of state aid it was proposing to give to the Rover group as a condition of its take-over by British Aerospace.

In international trade negotiations, such as the Uruguay Round, the Commission represents the member states as a whole, albeit on the basis of a fairly detailed negotiating mandate from the Council of Ministers, which can be modified only with the Council's authority. The Commission also has considerable leeway in the allocation and management of aid funds approved by the member states under the Lomé Convention.



Mrs Thatcher makes her Bruges speech. There is no danger of a fully-integrated political union for a long time

However, most interestingly of all, is the role that is being played in the integration process by the Luxembourg-based Court of Justice. Over the 30 years of the Community's existence, the Court has developed a body of case law which has already greatly influenced the direction the Community is taking and can be compared to the part played by common law in shaping British society.

One of the Court's much-quoted rulings in the so-called Cassis de Dijon case of 1978 has become particularly relevant to the Commission's internal market proposals. The emphasis on mutual recognition of national rules and standards that has replaced the old doctrine of harmonisation, at all costs, is rooted in the Cassis judgement, which laid down that products made and marketed according to the legal requirements in any one member state must be allowed to circulate freely in the rest of the Community.

The Single European Act (SEA), which came into effect in July 1987, can hardly be regarded as an instrument which will greatly hasten the advent of supranationality. It does, however, reduce the capacity of individual member states to block decisions by the Council of Ministers, which they could do by exercising a veto under the old voting system. In that respect, the SEA can be said to contribute to the process of integration.

Essentially, however, the SEA allows the decision-making machinery of the European Community to be speeded up: it had become extremely cumbersome and would have been incapable of dealing effectively with the need to adopt nearly 300 new internal market directives by the end of 1992. The Act replaces the original Treaty of Rome requirement of unanimity for decisions by the Council of Ministers by qualified majority voting on most internal market decisions. Only fiscal harmonisation; the right of member states to maintain border controls for the prevention of crime, drug-trafficking and terrorism; and the maintenance by some members of higher standards for working conditions and environmental protection, are still subject to the rule of unanimity.

Another important aspect of the Act is the so-called "co-operation procedure" which, with its first and second reading procedure and the possibility for the European Parliament to make amendments to the Council's common position, for the first time gives the Parliament a formal role in the legislative process.

The improvement in the Community's decision-making and democratic scrutiny machinery was long overdue. Majority voting has allowed a substantial proportion of the proposed internal market directives due to be in place by January 1, 1993, to be adopted.

Those opposed to the transfer of further powers to the European Commission can argue that all this has been achieved by inter-governmental decision-making, be it by majority voting, though such a view ignores the predominant role the Commission has played in formulating the internal market directives.

But adopting directives is one thing; to see that they are properly implemented and enforced is quite another, as the history of the Community has shown. Significantly, long before the deadline of 1992 has been reached, the internal market covering the free movement of goods, persons and services, as well as customs and tax problems, has already generated more than half the infringement cases pursued by the Commission.

While the philosophy behind the new single market directives is essentially deregulatory, it is clear that there are areas, such as the financial services sector, where some member states consider it important to ensure that common regulatory standards are maintained. In the last resort, the task of enforcing the new directives will clearly fall to the Commission and the Court of Justice which, *ipso facto*, will see their role enhanced.

Whatever the objections from this or that quarter to the encroachments of the Brussels bureaucracy, no member government will want to see the completion of the internal market undermined for lack of proper scrutiny and control by the only central Community institutions which have the required personnel, expertise and impartiality for carrying out the job.

It is in these unspectacular ways that European integration continues to make progress, pushed forward more by practical than philosophical considerations, and rendering the academic arguments about loss of national sovereignty almost irrelevant.

TOWARDS A SINGLE EUROPE 4

Ian Davidson on the defence and foreign policy questions raised by moves towards integration

For many years member states have discussed foreign policy questions and attempted to reach common positions. But to find a public statement on a major policy issue, it is necessary to look back as far as 1980 and the Venice Declaration on the Middle East. Left, the conclusion of that summit

Earnest debate, divergent views

ON THE face of it, the European Community's programme for completing a fully-liberalised internal market by the end of 1992 is an affair which is purely civilian and purely domestic. Strictly speaking, it has no connection with the defence policies of the member states, and its direct repercussions on their foreign policies are mainly confined to the realm of foreign trade policy.

Yet it is symptomatic of the growing momentum of the European integration process, that these functional separations are increasingly difficult to sustain, and that developments in one sphere have implicit ramifications in others.

The European Community has no competence in the field of defence. At one time, this status of a "civilian power" appeared to be an inherent characteristic of the Community, which set it apart from other political groupings.

Nevertheless, the fact is that the impetus of Community integration is beginning to make this group of European states *look* more and more like a body with all-embracing interests, even if the official role of the Community as such, in the fields of foreign policy and defence, remains minimal or non-existent.

On the record the development of a more united European foreign policy remains elusive. It is one thing to have all-embracing interests; it is another to draw convergent conclusions.

A significant majority of the member states undoubtedly feel that Europe should and indeed does have a distinctive view of the outside world, and that their interests would be better represented through the expression of a single voice. But in a Community of 12, the membership of which ranges from Ireland and Portugal to Germany and Greece, the obstacles to common views are formidable. The Irish are neutral and outside Nato; and though Greece and Denmark are both members of the Atlantic Alliance, the former takes a cantankerous view of the European Community, the latter a half-hearted view of Nato.

For many years the member states have earnestly discussed foreign policy questions and attempted to reach common positions. But to find a significant public statement of a specifically European point of view on a major international policy issue, you have to look back as far as 1980 and the Venice Declaration on the Middle East and the rights of the Palestinians.

In other words, most of the European states may feel they have a distinctively European perspective, but much of the time they lack adequate incentives to agree even on forms of words, let alone on actions.

These foreign policy discussions, which are frequent and regular, have in the past been conducted outside the formal Community framework; the Rome Treaty did not confer any foreign policy competence on the Commission or the Council of Ministers.

It is symptomatic of the progressive globalisation of Community interests, however, that the Single European Act of 1985, which launched the programme for the single market, also adopted the objective of formulating a "European foreign policy", and set up a European Political Co-operation Secretariat to achieve it.

Moreover, the Act broke new ground, in the face of resistance from Ireland, Greece and Denmark, by explicitly extending the legitimate scope of foreign policy co-ordination into the domain of security. In terms of political precedent, this is obviously a major breakthrough: it will be more difficult for the recalcitrant member states to restrict the range of issues which can be discussed by the 12, though this obviously does not mean that agreement on contentious issues will necessarily be any easier to reach.

Events in the real world have moved faster still, however. In the early 1980s the Atlantic Alliance endured and survived its most serious post-war crisis in the Euro-missile confrontation. Throughout the past eight years it has been buffeted by the swings of President Reagan's policies. And it is now facing the pressures of the dynamic diplomacy of Mr Mikhail Gorbachev. In all these cases, it is the countries of western Europe which have been in the front line.

The most spectacular effect of these external pressures has been to forge progressively closer links between France and Germany. France's policy of national independence, and its unique position as a member of the Atlantic Alliance but outside the integrated military structure, have long raised questions about its commitment to the common defence. But as the Euro-missile crisis loomed in 1982, President Mitterrand activated the chapter on defence co-operation in the 1963 Franco-German Treaty, with frequent and regular joint meetings on defence and security; and with increasing force he has regularly emphasised France's commitment to the defence of Germany and its loyalty to the Atlantic Alliance.

Last year the two countries held a major joint military manoeuvre in Germany, and this year they have set up a high-level Defence Council (as well as a parallel Council for Finance and Economics). France's national defence doctrine poses substantial practical problems for the alliance, but it is no longer plausible to question France's political commitment.

The strengthening of the Franco-German relationship has been paralleled, and for parallel reasons, by developments in the seven-nation Western European Union defence grouping.

In 1984 this long-dormant body was revived to help strengthen European unity in response to the Euro-missile crisis. Last year, in response to the Reagan-Gorbachev summit in Reykjavik — which all but reached agreement on a deal to eliminate nuclear missiles — the WEU marked out new ground by publishing a specifically European statement on Europe's defence interests. This reiterated Europe's continuing support for nuclear deterrence.

It remains unclear what practical functions the revived WEU will perform in future. Yet it is significant that Portugal and Spain have both sought and secured admission to the organisation; this may be symptomatic of a widespread sense that Europe needs, or will one day need, a vehicle for the expression of its defence interests, even if its role remains to be defined.

In the current phase of Soviet diplomacy, the emphasis is on peace not war. Mr Gorbachev's high-pressure diplomacy will nevertheless face the members of the European Community with difficult decisions on defence and disarmament. The forthcoming Vienna negotiations on conventional arms in Europe, in particular, may force the European members of the alliance to develop a specifically European view of the options on offer. More generally, the coincidence of Mr Gorbachev's diplomacy, and the European Community's 1992 programme, compel the Soviet Union and the countries of western Europe to take the greatest possible interest in each other's policies.

At the time of writing, there is a clear divergence of appreciation between the European member states. The West German government evidently takes a more optimistic view of the implications of perestroika in the Soviet Union, whereas Mrs Thatcher remains resolutely wary, and the French government appears to be veering from its previous scepticism towards a position closer to that of West Germany.

These divergences will not spontaneously evaporate; but over time the creation of the single market, and the arms control process, must ensure that the issues raised become subjects for continuous common debate.

Challenge to the post-war world order

Continued from previous page

in defence and foreign policy, where Europe is likely to be confronted with delicate choices in the next few years. The task of finding a coherent response is complicated not just by differences of view within Europe, but also by the fact that it must take account of rapid and continuing changes in the wider international landscape.

Many of the forces which have brought Europe to its current turning point have, indeed, originated outside its own borders and lie beyond its direct control. Chief among them are

● **The shifting geo-political balance.** The growing détente between Moscow and Washington since Mr Mikhail Gorbachev came to power has both reassuring and unsettling implications for western Europe. On the one hand, it has led to a relaxation of tensions and correspondingly reduced risk of superpower conflict.

On the other, President Reagan's willingness to discuss with Mr Gorbachev at Reykjavik the future of European missiles without prior consultation of America's European allies has clearly sown doubts among the latter about the extent to which their interests and priorities are still shared by the US.

Many commentators expect further progress in détente to lead the US increasingly to question the rationale for its military presence in Europe, both conventional and nuclear, and to intensify domestic pressures for its reduction. Such a development would have far-reaching implications for the future of the Nato alliance and would oblige Western Europe to look much more to its own resources for its defence.

● **Changes in the world economy.** The overwhelming margin of international economic, industrial and technological advantage which the US enjoyed for more than a generation after the last war has been rapidly narrowed or eroded completely, most obviously as a result of the rise of Japan.

US preoccupation with its loss of relative competitiveness is growing, while its economy and trade are becoming more closely integrated with those of Asian countries on the Pacific Rim. As these trends develop, the US disposition to view Europe as its most natural economic ally seems to be diminishing.

In Europe, fears have been widely voiced in the past few years that a battle for economic and industrial supremacy is developing between the US and Japan, which may be partly fought out on European markets. The widespread lack of confidence in Europe's ability to respond to this challenge was underlined by the "Euro-sclerosis" debate in the mid-1980s.

Many of the forces which have brought Europe to its current turning point have, indeed, originated outside its own borders and lie beyond its direct control

● **Capital Mobility.** The revolution in world financial markets wrought by technology and deregulation during the past decade is both stimulating increased inter-dependence between industrialised economies and re-shaping the way in which international resources are allocated.

However reluctantly, all European governments have had to take greater account of these developments in formulating national economic policies. That has led both to specific measures to improve the efficiency of domestic financial markets and to a more general realisation of the constraints implied by more mobile capital for the policy autonomy of individual countries.

● **Global competition.** The changing economics of many product markets are making it increasingly difficult for most industries to survive mainly on the basis of domestic demand, even in the larger European countries, and are forcing them to compete for world market share.

These trends are particularly pronounced in electronics, where rapid diffusion of knowledge and technology requires innovators to make ever-bigger investments in production and marketing in order to safeguard their initial lead. In some sectors, notably semiconductors, the costs are becoming so high that it is doubtful that even the whole of the western European market is large enough to enable them to be recouped profitably.

● **National government policies.** For much of the post-war period, policies in many European countries were based on the implicit assumption that governments were able to ordain output, competitiveness and growth through direct intervention in their national economies.

That belief has been undermined by structural shifts within the economies themselves and by external pressures. As a consequence, during the 1980s traditional post-war corporatism and interventionism has steadily given way to increased emphasis on market-oriented policies.

That shift was pioneered in Europe by the Thatcher government in Britain in the early 1980s. Though it was derided on much of the Continent at the time, privatisation, liberalisation and deregulation have since become part of the economic orthodoxy of governments of right and left in most of the rest of Europe and have now been embraced even in Moscow.

A key turning point occurred in 1983, when the French socialist government was obliged to abandon its disastrous unilateral dash for economic growth and state-backed plans to "reconquer" its national market. That episode demonstrated vividly that no European country could any longer afford to pursue policies which ran directly counter to trends in the rest of the world.

With hindsight, it is clear that the 1992 bandwagon would not have started rolling so rapidly had the ground not already been prepared for it by parallel changes already under way in most European countries.

However, it is far from clear how quickly the bandwaggon will continue to move forward. Though the rhythm of legislative activity has accelerated markedly in Brussels in recent months, inevitably it is the easiest issues which get tackled earliest. The going looks set to get tougher from now on.

Many contentious and detailed technical questions have yet to be resolved, particularly in the domain of financial services markets. This is the area where the differences between EC countries are biggest and the barriers highest. Hence, while progress on this front promises to yield some of the biggest benefits of the whole 1992 programme, it is also likely to be the most difficult to achieve.

As these challenges loom larger, they are likely to throw into still sharper relief questions about the future institutional development of the EC. The broad parameters of the debate were set out earlier this year in speeches by Mr Jacques Delors, president of the European Commission and by Mrs Thatcher, notably in her speech to the College of Europe in Bruges in September.

In Mr Delors' opinion, a further shift of decision-making to the centre is not only desirable but inevitable. He has forecast that 80 per cent of economic policy decisions will originate in Brussels by the middle of the 1990s.

He also wants the EC to build on the momentum of the 1992 programme to develop common social policies, arguing that exclusive emphasis on liberating market forces risks triggering a backlash among voters.

Mrs Thatcher rejects this view. Her vision is of step-by-step advances, based on voluntary inter-government co-operation and subject to their individual control. Invoking explicitly the stance of General de Gaulle, she declared herself defender of a Europe of nation-states and opponent of any stampede towards supranationalism.

Each view contains elements of truth, but neither presents a complete picture. Mr Delors is almost certainly right to suggest that the further the EC progresses towards a unified market, the greater will become the pressures for closer policy integration.

On the other hand, Mrs Thatcher's spirited attack on the dangers of excessive centralisation of power in a bureaucracy beyond the direct control of member states undoubtedly found resonances in other national capitals, notably Paris and Bonn.

Mr Jacques Delors: 80 per cent of economic policy decisions will originate in Brussels by the middle of the 1990s

Though France is a vocal advocate of further common EC decision-making, its strategy is clearly designed to enhance — not submerge — its national influence within the Community. Its proposals for a European central bank seem largely intended to reassert influence over its own monetary policy, which is uncomfortably constrained by membership of the European Monetary System to follow lines laid down by the German Bundesbank in Frankfurt.

The Bundesbank, by contrast, seems enthusiastic about the idea of a European central bank only to the extent that it implies no dilution of its political independence and its firm grip on domestic policies. It is far from clear whether that viewpoint is compatible with France's predilection for shared decision-making at a Community level.

These differences may be narrowed to some extent by the passage of time. Experience over the past three decades suggests that the more EC governments have grown accustomed to joint decision-making, the more willing they have become to contemplate expanding the process to new areas.

But the decisive factor will probably remain self-interested calculation of national advantage. EC governments, after all, only agreed to launch the 1992 initiative after their frustration with Europe's sluggish economic performance had reached the point of near-desperation.

It is far from clear how quickly the bandwagon will continue to move

Most seem unlikely to commit themselves enthusiastically to making any further substantial concessions on national prerogatives unless they are really convinced that proposals for common policies really stand a chance of success — and that they would risk losing out individually by remaining on the sidelines.

Mrs Thatcher also occupies one of the poles in the debate on the Community's future external policies, and France the other. The British prime minister's prescription envisages a Community open to international influences, with a distinctly Atlanticist emphasis.

France, on the other hand, tends to view a more unified Community as a bulwark against the rest of the world. Partly because of concern about the ability of its own economy to withstand unfettered competition, and partly because of an ingrained suspicion of the US, Paris is in the forefront of demands that the single market be used as lever to pry trade concessions from the rest of the world. How feasible such tactics will turn out to be in practice, remains to be seen.

These emerging tensions, however, represent only some of the awkward and exceedingly complex issues which will have to be confronted if a "Single Europe" is to be translated from a resonant and evocative slogan into a substantive reality.

As Europe's largest economic and trading bloc, the Community has substantial influence over the broad direction of developments in the whole of the region. The powerful centripetal force which the 1992 initiative is already exerting in neighbouring countries is a gauge of that influence.

Some, such as Austria and Norway, may well opt to apply for membership out of fear of being politically and economically marginalised in the future. However, others, such as Switzerland and Sweden, seem intent on staying out, and the exact shape of their future relations with the Community remains unclear.

Still greater uncertainties arise in the case of Turkey. Its pending application for full membership presents awkward questions not only about how much further the EC can be enlarged without straining its own internal cohesion, but also about the exact line at which Europe's borders should be drawn.

Equally unresolved, but of growing importance, is the shape of future relations between East and Western Europe. To what extent will the changing relationship between the US and the Soviet Union cause confrontational attitudes in both European power blocs to give way to a more constructive dialogue — and what will be the consequences for trade, defence and security policies?

In West Germany, always the swing state in any such calculation, a conspicuously low-key approach in many parts of industry towards 1992 contrasts with signs of increasing interest in the potential economic opportunities in the east. Though there is little evidence so far of renewed impetus behind the idea of German reunification, it might become harder to rule out quite so categorically if the thaw in relations between East and West accelerates.

Any rehearsal of these unresolved questions necessarily underline two broader points: that the definition of Europe, even as a geographical expression, is somewhat fuzzy at the edges, and that it is far from being a coherent political, strategic and economic entity.

The Community, though the predominant economic bloc, excludes half-a-dozen western European countries. Furthermore, several of the latter belong to the Nato alliance, while of the EC's 12 members one (Ireland) is neutral, while two (France and Spain) remain outside Nato's integrated command structure.

Though the next few years may see some reshuffling of this pattern of partially-overlapping groupings of national interest, it is doubtful that it will go far enough to create the unified institutional framework necessary to underpin anything comparable to a "United States of Europe", possessing the high degree of internal cohesion and identity of interest which that term implies.

Europe needs to free itself from the legacy of structural impediments

Indeed, even among fervent enthusiasts of European integration, that vision is perceived today as being less appropriate than it appeared 30 years ago to Mr Jean Monnet and his fellow founding fathers of the Community. For the starting points are altogether too different.

The architects of the US may have been the signatories of the Constitution. But it was built, from the foundations up, by generations of immigrants from the other side of the Atlantic who were consciously fleeing from the past and were bent on building from scratch a wholly new type of society.

Today, Europe confronts something more accurately described as a demolition job. The task is to free itself from the centuries-old legacy of self-inflicted structural impediments and habits of mind which drain its collective energies by keeping it unnecessarily divided.

External pressures are giving that process a powerful shove. But Europe, with its deep-seated social and cultural diversity, can never plausibly aspire to the homogeneity achieved by a young country united in its determination to create a common national identity.

In the telling phrase of Mr Carlo de Benedetti, the Italian industrialist, "the construction of the US was the last great creative innovation of the Europeans". Their next great challenge will be to work out a model for renewal of the Old Continent which successfully respects its rich diversity while meeting the imperatives imposed upon it by a rapidly changing world. At best, 1992 will mark only the beginning of that endeavour.

Edward Mortimer puts European political trends in context

Some common signs of the times

"There are a lot of countries in Europe who think in a socialist way. Therefore their first instinct is to try and get a number of controls."

Mrs Margaret Thatcher interviewed in The Times October 26, 1988

WHICH countries, one wonders, did Mrs Thatcher have in mind? Presumably Greece, where the Socialist government currently occupies the Presidency and is using it to try and push through measures instituting a European "social space", which Mrs Thatcher regards as the product of "outdated Marxist doctrines".

Perhaps France and Spain, which also have "Socialist" governments, although she is on excellent terms with both their leaders; or Italy, Belgium and Luxembourg, where Christian Democrats and Socialists are in coalition.

Presumably not West Germany, Denmark, the Netherlands, Portugal or Ireland, for in all those countries, as in Britain, the Socialist parties are in opposition (though Portugal is a confusing case, having a Socialist President of the Republic and a governing party which, though strongly anti-socialist, calls itself Social Democratic).

Actually it is unlikely she meant anything so simple. If socialist thought is identified with an instinctive liking for controls, then it is not necessarily in Socialist parties that one should look for it. Deregulation, privatisation, tax cuts and resistance to trade union pressure have been features of government policy in the 1980s in almost every part of the world.

In Britain this has happened under a Conservative government and is known as "Thatcherism". In some other parts of the world it is called "Reaganism", but in New Zealand it is "Rogernomics", after a Labour finance minister. To a large extent it seems to be a matter of who happened to be in power at the time, and who had been in power in the previous period when the bankruptcy of previous solutions was exposed. These were solutions based on increased government spending and attempts at macro-economic management through negotiated consensus among the "social partners" — government, big business and trade union leaders — backed up by, or alternating with, statutory wage and price controls.

If the Heath government had won the 1974 election in Britain it would probably have continued struggling with such policies, and it is not inconceivable that the Labour party would have come to power in 1979, or thereabouts, with a programme of freeing the economy from stifling and unnecessary constraints. (Already during its period of opposition from 1970 to 1974 it had dropped the idea of a statutory incomes policy and come out for "free collective bargaining".) That is what happened in Australia and New Zealand.

In Spain the "Socialist Workers' Party" (PSOE), in power since 1982, has presided over a more resolute dismantling of Franco's corporate state than its centrist predecessors had felt able to undertake. It has also brought Spain into the European Community, and has managed to get Spain's membership of Nato, which in opposition it had been against, ratified by popular vote.

In France, it is true, Socialist rule began in 1981 with an anachronistic flurry of nationalisations. Privatisation began only during the right wing Chirac government of 1986-8, and President Mitterrand won re-election this spring on a platform including a pledge, politically astute but economically arbitrary, to stop this particular see-saw in mid swing: no more nationalisations or re-nationalisations, but no further privatisation either.

Yet, in many respects, the true turning-point in recent French history was neither 1981 nor 1986 but 1983, when the Socialist government accepted that its fate, and therefore its policies, were indissolubly linked to those of the rest of the European Community, and particularly of West Germany.

To say that France today is completely purged of all its old *dirigiste* and protectionist instincts would no doubt be an exaggeration, but there has clearly been a change of direction towards openness — openness to external influences and products, symbolised by the willingness of the new generation in both business and politics to use English as a means of communication with the rest of the world, and openness also in the sense of allowing economic life to be regulated more by the market and less by government fiat.

In Italy, too, the Socialists under Bettino Craxi have on the whole been more willing to confront the trade unions, and to cut back the public sector, than have their Christian Democrat partners.

Indeed, if Mrs Thatcher were to speak her innermost thoughts about her European colleagues, it might well turn out that she has a general preference for Socialists as against Christian Democrats. They belong to a political tradition which at least is familiar in Britain; they tend to have few illusions about communism; they are usually less closely linked to trade unions than their British counterparts; their approach to politics is secular and their language is such that one can usually tell whether one agrees with them or not.

Christian Democrats can be more of an irritant because at first sight they look like British Conservatives but, in fact, they belong to a specifically Continental and mainly Catholic tradition which is anti-individualist and emphasises collective social responsibility. They usually have their own trade union movement, and their instinct is to emphasise consensus rather than partisanship. Their language can be hard to decode.

In several European countries they are identified with the post-war political order, including the social compact with various associated workers' rights and restrictive practices. In West Germany, for instance, the Christian Democrats are far more reluctant to adopt "Thatcherite" social and economic policies than are their Free Democrat partners, although it is the latter who arouse Mrs Thatcher's distrust in matters of foreign policy.

Above all, Christian Democrats have a quasi-mystical attachment to the very notion of "Europe", of which their great post-war leaders — Adenauer, Schuman, de Gasperi — were the founding fathers. They will never be content to think of the European Community as merely a set of mutually convenient practical arrangements. For them it must also have a spiritual dimension, and must aspire to rise above the national differences that have caused so much grief and wickedness in the past.

If Mrs Thatcher were completely honest she might have to say it is the Catholics in Europe, rather than the Socialists, that she finds hardest to understand.

Socialist or Christian Democrat — which prime minister is closest to Mrs Thatcher? Left, Mr Felipe Gonzalez of Spain greets Mr Ciriaco De Mita of Italy

INDUSTRIAL RESTRUCTURING

Driven by the global triad

UNDER A near-£800m deal agreed in late October, an Anglo-French partnership is currently being constructed which gives the lie to much of the fashionable dogma about the causes and nature of the industrial upheaval which now holds Europe in its grip.

The partnership involves the pooling under French majority control of the metal and plastic packaging interests of MB (formerly Metal Box) and Carnaud. It confounds conventional "1992 wisdom" in several ways.

First, its purpose is not the achievement of manufacturing scale, on the lines of the sort of "single plant for Europe" strategy which is much touted by consultants and other observers, and is epitomised by the famous Procter & Gamble factory near Frankfurt which now fills all its European toothpaste tubes.

Second, the motivation for the packaging partnership is not so much European as global. Third, it has virtually nothing to do with 1992, as such.

The partnership was motivated essentially by global marketing strategy: the need to serve global customers (in the first instance, Coca-Cola) with worldwide arrangements on the pricing of cans, as well as on much broader issues such as the ability to accelerate the cross-border transfer of new packaging products and technology. As far as the scale of production is concerned, the economics of the can business and the preferences of multinational customers militate not towards having just one or two plants for the whole of Europe, but in favour of a proliferation of smallish local can plants near the customers' factories.

The can deal not only demonstrates the foolhardiness of much popular generalising about the current European industrial restructuring, but also underlines the dangers of assuming that there is only a small set menu of ways for companies to deal with that challenge.

The date of 1992 may be on everyone's lips, but much of the upheaval in Europe is prompted by broader and more long-standing motives which have more to do with trends which span the global "triad" of Japan, the United States and Europe.

Take one of 1988's most debated takeover battles, the Suchard-Nestlé battle for Rowntree, the UK confectionery maker. This had its roots at least as much in the inexorable trend of economics in an increasingly mature, concentrated and global industry as in the threat of European Community protectionism towards the Swiss and other outsiders after 1992. For six years Suchard had already been hard at work constructing a global confectionery enterprise — Rowntree was just the latest brick in its edifice.

The deal underlines the dangers of assuming that there is only a small set menu of ways for companies to deal with the challenge

A similar process of concentration, on a much grander scale, began in the food industry back in the 1970s when France's BSN began a consolidation process which Carlo de Benedetti, Unilever, Nestlé and now Grand Metropolitan (with its US bid for Pillsbury) have since followed. In the case of both food and confectionery it took an ambitious chief executive to set the race in motion, but economic, technological and other factors had already combined to create the circumstances for it. Countless other industrial sectors have become equally ripe for international restructuring, regardless of whatever actions may or may not be taken by 1992.

This pattern has been particularly clear in consumer electronics, where the process of globalisation of corporate strategies and structures — with Europe as only one part — had begun long before 1992 was ever heard of in a political sense. Under competitive pressure from Japan, Philips had begun in the early 1980s to shift from a multi-national confederacy of subsidiaries, business units, factories and products to an streamlined global structure, albeit still with national variations.

In a electrical engineering, too, last year's giant merger of Sweden's ASEA and Brown Boveri of Switzerland was caused only partly by the two companies' fear of EC discrimination against them after 1992. Far more significant were the severe over-capacity which had gripped the industry worldwide for years, and the fear that either of the two companies could fall into the clutches of a competitor — whether European, American or Japanese. Electrolux's long-standing string of appliance takeovers illustrates the point even more strongly — that, even to the Swedes and Swiss, Europe's current industrial upheaval has more to do with international economics and managerial vision than with political decisions about 1992.

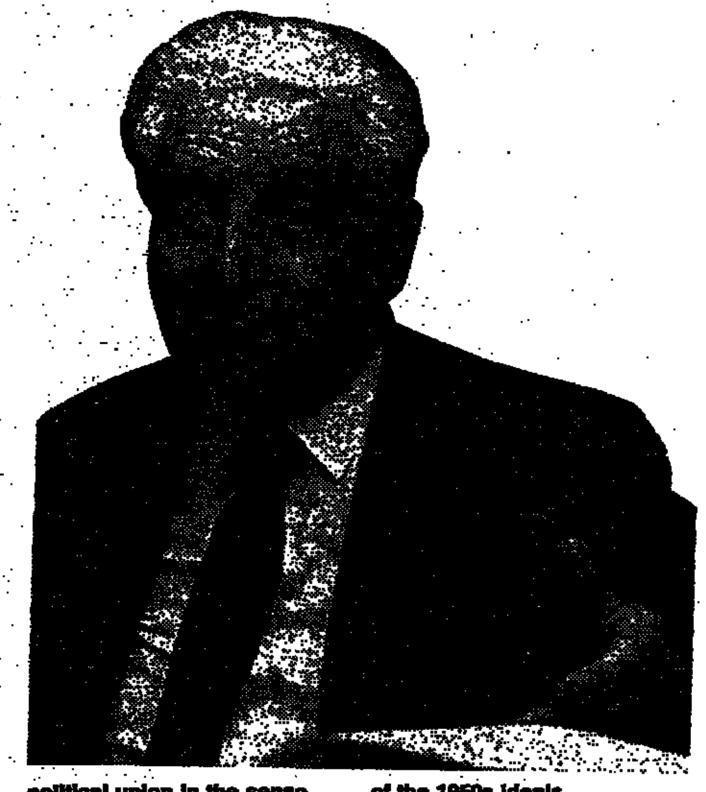
To some American companies, and to almost all the Japanese, things may look rather different — though in very contrasting senses. For US multinationals already established in Europe, 1992 is generally of less consequence in itself than in the European awareness it has created among their customers and local competitors. Multinationals such as IBM, Ford, Kodak, 3M and Apple are reacting by accelerating their integration of European development, production and distribution — a process which has already been under way for some years, and which gives them a head start over all but a handful of their European competitors in the exploitation of the putative "single market".

To the Japanese, 1992 would at first sight seem more of a real deadline, as each week's news of further Japanese capital investment and joint ventures in Europe would appear to suggest. Japanese companies are clearly worried by protectionist moves in Europe, but from Tokyo this concern is seen to derive more from the recent proliferation of anti-dumping suits against them than from the spectre of 1992. Even to the Japanese, in other words, 1992 is more a state of mind than anything else.

Christopher Lorenz

Emile Noel, who was 'in at the creation', talks to **John Wyles**

The art of the possible



EMILE NOEL may have swapped a lofty view of Brussels roof-tops for the cypress-clad hills of Tuscany, but in moving to a new piece of work he has lost none of that unique feel for what is going on in the European Community that he acquired during nearly 30 years as the Commission's secretary general.

Having been "in at the creation" as the Commission's chief administrator, he played a key role in resolving the seemingly unending series of "crises" which have plagued the Community for much of its short life.

Now president of the European University of Florence, his somewhat greater distance from day-to-day events in Brussels has served only to strengthen the Frenchman's conviction that the 1992 objective is opening up "new departures" for the Community. For those like Mrs Margaret Thatcher, the British prime minister, who both fear and oppose political union, he has reassuring words of doubt that such a thing is now possible.

'It would be better to forge new links with aspirant members than to bring them into the Community'

"It is clear to me that political union in the sense of the 1950s, involving defence, security, foreign affairs and common institutions, cannot be implemented between the 12. If something can be done, it will be done between some of the members who want it," he says, envisaging the possibility of an "inner core" dedicated to realising some of the 1950s ideals.

But for those anxious to see the ever-greater collaboration between member states solidified in new institutional developments, he is confident that such things as a new monetary authority and a new enhanced role for the European Parliament can be found in the dynamic of events.

His prediction is based on his understanding of "chain reactions" in EC politics, whereby one key decision creates irresistible pressures for further changes. Thus, the Community's 1985 commitment to the internal market led directly to the Single European Act, with its majority voting and other procedural reforms together with reform of the Common Agricultural Policy, and the near doubling of the structural funds to help the Community's economically backward areas.

Future changes in monetary co-operation will be delivered by the commitment to bring in the free movement of capital from June 1990, says Mr Noel. "Monetary union is the next logical step and this, perhaps, is the field where the change of sovereignty and the increase in the power of the Community institutions will take place."

He believes that most of the Commission's programme is politically and technically achievable by 1992 since the EC's founding six members plus Denmark, the UK and Spain are capable of creating the internal market. Ireland, Portugal and Greece, however, "will need escape clauses and derogations".

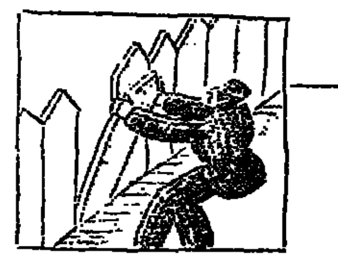
Fiscal harmonisation could be the last stage on the road to 1992 because it carries with it the greatest economic and political difficulties — he says, with a hint of mockery, that Lord Cockfield's tax proposals are a promise of "fiscal paradise". If this is to be achieved, "there will have to be lots of compromise formulae which take account of political and psychological problems rather than the purely fiscal," he adds.

The former Secretary General is firm on the response which the Community needs to give to the growing list of countries which may soon be looking to join the Community. "It would be wise to say nothing to them before the end of the century," he says, stressing the priority task of completing the internal market and completing the integration of Spain and Portugal.

It would be far better, he says, to forge new practical links with aspirant members rather than to bring them into the Community. Among other things, "the present institutional scheme is at the limit of its possibilities with 12 members and further enlargement would require institutional changes."

He believes, in any case, that the Treaty of Rome and its adjuncts will need to be revised in the 1990s — not least to provide for the necessary institutional developments in the monetary field, but also to meet new challenges and burdens in internal and external relations as well as in economic and industrial matters. And if more power is steadily transferred to the Community "then the democratic position must be improved" by strengthening the role of the European Parliament. "I believe a new constitutional package can be developed in the 1990s," concludes Mr Noel, still one of the Community's shrewdest judges of the art of the possible.

TOWARDS A SINGLE EUROPE 6



William Dawkins examines the EC's programme for a single market

Masterly political judgment

THE European Community's programme for a single market by 1992 has taken off better than even its optimistic creators had hoped – but whether the end result will come up to scratch is another matter.

That the project has gained so much impetus is partly because it is pushing with the grain of an existing wider trend towards European integration. But the 1992 blueprint is also a masterly piece of political judgment by its author, the European Commission.

Brussels can congratulate itself on the fact that the scheme has now reached the stage where EC leaders could agree at their last summit in Hanover that "this major objective ... has now reached the point where it is irreversible". Member states over the past four years have been cajoled into adopting either finally or partially 99, at the last count, of the 300 barrier-breaking proposals in the plan. They have reached agreements in principle on another 14, bringing to 113 the number of internal market barriers scheduled for definite demolition. That is well within the Commission's schedule and represents a pace of decision-making that would have been unthinkable a few years ago.

Yet there have been serious problems at those points where the plan touches too sharply on member states' national sovereignty, like its controversial tax harmonisation proposals. And putting into practice some of the more sensitive of the scheme's liberalising ideas have posed real dilemmas for the Community. As a result, many observers fear the kind of internal market that will appear on January 1 1993 will be a deeply flawed version of the original dream.

At first sight, the Commission's 300-point internal market white paper – scaled down to 285 since the plan was tabled in 1985 – looks like a hotch-potch. It contains an enormous diversity of technical legislation, from common rules for lawnmower noise to conditions for free trade in insurance. It looks difficult to boil down to essentials. Yet the truth is that the programme runs on two clear underlying principles, both of which fortunately appeal in broad terms to the 12 EC governments that have to enact the scheme, even if details sometimes run up against the brick wall of national self-interest.

Principle number one is the establishment of a compelling deadline, December 31, 1992, with clearly-marked staging posts on the way. Even if some of the more controversial measures in the plan miss the deadline by years, the very existence of the magic date and a timetable for getting there provides an extraordinarily effective focus. Historically, the EC's progress towards

Decision making at this pace would have been unthinkable a few years ago

European integration has done best when organised in measured and not too ambitious strides, from the establishment of the 1968 customs union to the gradual growth in membership, culminating with the arrival of Spain and Portugal in 1986.

The single market plan has had a promising start because Lord Cockfield, the British Commissioner in charge of the scheme, drafted it perfectly in line with that step-by-step tradition. He produced a blueprint that is clearly limited in scope and which stresses – on the whole – attainable practical aims, rather than the vague and potentially divisive vision of European unity criticised in recent speeches by Mrs Margaret Thatcher, the British Prime Minister.

Broadly, the European Commission thinks the approach has worked well as was made clear when it recently published an optimistic half-way report on the voyage to 1992.

Principle number two is deregulation, a catchy philosophy for European governments at a time when they are all seeing market forces succeed where experiments in *dirigisme* – like the one tried by France early this decade – have failed. But well-timed and attractive though it may be, putting deregulation into practice without inviting anarchy in the markets affected has turned out to be one of the toughest challenges on the road to 1992.

The Commission's aim is where possible to abandon what was in the 1970s its main tool for dismantling many of the non-tariff barriers left after the introduction of customs unions ended tariff controls. Harmonisation was the weapon it used ineffectively then and mutual recognition is the one that it is using more successfully now. Harmonisation aimed to make trade barriers irrelevant by ensuring that goods and services conform to fixed European standards. The old approach worked very rarely, if only because it produced hopelessly detailed directives that took so long to draw up that they were sometimes out of date even before being tabled.

More important, it directly threatened national standards – and hence sovereignty. It is revealing that one of the few parts of the internal market plan that does go for harmonisation – the proposals to reduce national differences in indirect tax rates – is the one that looks least likely to win member states' approval.

Mutual recognition, by contrast, works on the theory that one country's goods and services should get free access to another on condition that they observe basic quality requirements. This new approach gained its inspiration from a 1979 European Court of Justice ruling that West Germany had contravened EC free trade laws by banning the sale of French Crème de Cassis, blackcurrant liqueur, on the grounds that it was not alcoholic enough to be classified as a liqueur by German standards. It was a landmark judgment because it confirmed without doubt that goods should be allowed free sale across the EC so long as they are safe, and do not threaten public health, morality or security.

The landmark Crème de Cassis judgment gave new spirit to the Commission's directives on free trade conditions

The Commission pounced on the implications of the ruling, which it used as the basis for a whole series of so-called "new approach" directives setting out free trade conditions for a range of goods from toys to machine tools. But it has yet to be seen how these admirably liberal sounding rules will work in practice. Potential problems include the fact that a guarantee of free market access does not necessarily mean that a product can actually be used freely in the importing country, something which looms especially large in the new approach directives on industrial goods.

The really big dilemmas have come, however, over the Commission's attempts to apply mutual recognition to service industries. The challenge here is that vendors of the products covered, like banks and insurance companies, must themselves be regulated at EC level if the markets for their products are to be liberalised. While customers are not usually too concerned if the manufacturer of their foreign-made machine tool goes bankrupt, it matters very much if the foreign company which insures their factory cannot pay a claim.

So the Commission has had to include some harmonisation in its otherwise deregulatory proposals on financial services, which means producing directives setting out exactly what those companies are entitled to do. Getting the balance between liberalisation and control has not been easy. Member states accepted early this year a directive allowing insurance companies to over cover for large commercial risks freely across the EC. But it only applies to business policy holders, and not to small companies or individuals, which are considered large enough to handle on their own the risk of dealing with an unknown foreign insurer. So the small policy holders that make up the numerical majority of insurance market customers have been left out of this part of 1992 until such time as member states get round to creating common rules for the security and behaviour of insurance companies.

A similar directive aims to allow banks freedom to open branches across the EC on certain conditions: there are already proposals, for rules to be enforced by banks' national authorities, about the kind of business banks can pursue and how much they can lend in relation to their own funds. But the proposals have yet to be agreed by member governments, and it has yet to be seen how easily tightly-regulated countries like West Germany will open their doors to foreign bankers used to more liberal regimes.

INSTITUTIONAL CHANGES

Forced out of the trenches and into real negotiations

THE revolutionary implications of the Single European Act (SEA), negotiated in 1985 but only fully ratified by all 12 Community states last year, are taking time to digest. Not surprisingly, leaders like Mrs Margaret Thatcher still find some of these implications hard to swallow.

The two most important features of the SEA are its definition (Article 8A) of the internal market as "an area without internal frontiers in which the free movement of goods, persons and services is ensured" by the end of 1992, and its prescription (in Article 100A) of how to reach this goal, through majority voting on most internal market-creating measures.

The effect of such provisions has been startling. The Commission, taking to the letter the text signed by leaders of the 12 countries and ratified by their parliaments, has come up with such ambitious, and contentious, proposals as harmonisation of indirect tax rates as a necessary step in a frontier-free Europe.

Tax proposals, as well as certain social, health and environment measures, must still be taken by unanimity. But in the past year such politically sensitive issues as capital movement liberalisation, phasing out of European road haulage quotas, and big car exhaust emission controls have passed onto the Community statute book by virtue of the SEA's majority vote provisions.

In practice, since governments do not generally like to be seen to be on the losing side, the clear emergence of a qualified (weighted by size of country) majority is often enough for a measure to go through on the nod of unanimity. According to the weighting, the four biggest states get 10 votes apiece, Spain eight, Belgium, the Netherlands, Greece and Portugal five each, Ireland three and Luxembourg two. The qualified majority is set at 54 votes of a total of 76, and therefore to block requires the opposition of at least two big states and one small one (but bigger than Luxembourg).

Perhaps the biggest psychological difference is that, where before governments were content to sit back and rely on their ultimate veto of a Council move, the prospect of being outvoted now tends to force them out of their trench and into real negotiation with each other.

There remain possible escape routes, but they have scarcely been tested since the SEA. The 1966 gentlemen's agreement known as the Luxembourg Compromise, by which member states agreed not to override any vital national interest of one or more of their number, still hovers in the background, though it has no status in Community law. There is a specific let-out in Article 100A of the SEA, which allows an out-voted member state to take its own national measures (in environmental and labour-related areas) provided these do not constitute a trade barrier. "Green" Denmark availed itself of this to set tighter national curbs on car exhausts than it could get its partners to agree to.

Predictably, there has been much wrangling between the Commission and Council as to the legal basis – and therefore whether decision by unanimity or majority – of proposed internal market measures. Predictably too, the Commission wants everything passed by majority, while the Council often prefers unanimity.

However, the Commission has generally won the argument on how directives should be passed, for the simple reason that it requires Council unanimity to change the legal basis of a Commission proposal. For precisely the same reason, the Commission has generally held sway on what sort of consultative committee of national officials should supervise implementing decisions for EC directives. Only on a few occasions – such as on sensitive issues like food and plant health or on big-money research programmes like Esprit – has the Council unanimously decided to delegate little or no supervisory powers to the Commission.

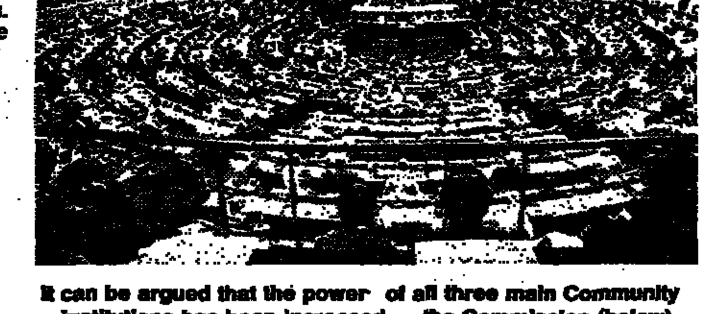
It is possible to argue that the SEA has increased the powers of all three main Community institutions – the Commission, Parliament and Council – with the main losers being national parliaments of the Twelve.

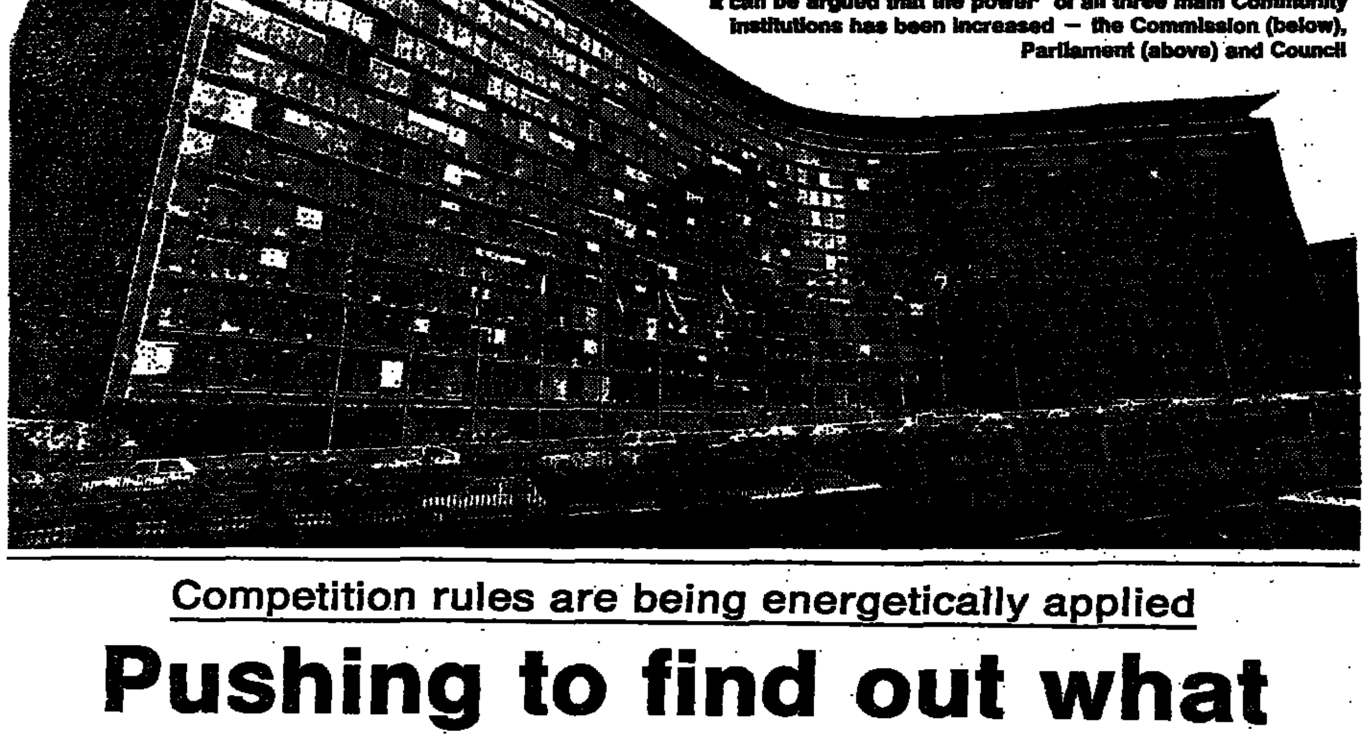
The Commission's monopoly power of proposal, unique among international bureaucracies, is effectively widened with the SEA's explicit extension of Community competence to cover monetary, social, environmental and research affairs. The Commission writes the agenda, and so has gained from the broadening of the agenda.

The Parliament now has a formal second reading of most internal market measures, with the result that it can amend or even reject what the Council has decided, whereas, before, its consultative opinions on proposed directives were drafted without the slightest clue of how the Council would act. In addition, the Parliament now has a say on association agreements with non-member countries (exercised this year to delay accords with Israel) and on any enlargement (likely to be exercised on Turkey's EC entry bid soon).

The Council of Ministers may have suffered from institutional encroachment by the Commission and the Parliament. But with its power of final decision, it remains firmly in the saddle. The Council, as a collective body, may have gained at the expense of individual national governments and, even more, national parliaments. For a national parliament's control over its government is of little value when that government can be out-voted.

David Buchan





It can be argued that the power of all three main Community institutions has been increased – the Commission (below), Parliament (above) and Council

Competition rules are being energetically applied

Pushing to find out what EC governments will allow

THE toughness with which the European Community's extensive competition rules are being applied is today provoking unprecedented fear, respect – and even irritation – among the Governments and companies which have to observe them.

The European Commission, the central player in the enforcement of Community competition policy, is using all its skill to push the rules to new extremes, having previously applied its powers in this area with only occasional force.

This is true both of the aggressiveness with which Brussels is using existing powers, as well as its search for new ones, such as the Commission's controversial attempts to wield more control over cross-frontier mergers. The big unknown for the future is just how far EC Governments are prepared to allow Brussels to push its influence in this field.

The Brussels authorities are acting in this way because they fear the market distortions caused by anti-competitive business practices would be all the more disruptive in the barrier-free Europe planned for 1992, unless the Commission acts against them now.

Mr Peter Sutherland, the current Commissioner responsible for competition, has made himself famous as Brussels' most aggressive crusader for the cause of free competition. But he could never have held such a hard line were it not for the very special position competition law has always had in the Community's constitution.

This is one of the very few policy areas where the Commission can act on its own initiative, without having to clear its lines with EC Governments first. Brussels has the power unilaterally to tell member states just how much state aid they can shell out to ailing industries, as well as being able to levy Draconian fines on illicit cartels and to break up monopolies.

As Mr Sutherland freely admits, state aid rules provide one of the Commission's most direct challenges to member states' sovereignty – and he and his staff have not been afraid to use it.

The figures speak for themselves. Last year, the Commission ordered EC Governments to reclaim Ecu747m (£493m) of illicit aid to industry, an enormous increase on the mere Ecu11m they had to claw back in the previous year.

On the whole, Governments are glad to abdicate the politically sensitive responsibility for decisions on state aid to Brussels, but not always. The Italian Government's current agonies over the future of the latest rescue plan for its state owned-steel industry is only the latest example.

Others include the problems British Aerospace encountered over the summer in accepting Commission-imposed terms for its takeover bid of the state-aided Rover group. Add to that the difficulties experienced by the French Government in accepting Brussels' conditions for its rescue of state-owned Renault.

On the monopolies front, the Commission has been equally active, perhaps in response to the growing wave of cross frontier takeovers taking place as companies in a whole range of sectors start to position themselves for 1992. Only in August, it successfully blocked a consortium bid for the drinks company Irish Distillers, on the grounds that the participants planned to carve up between themselves a market in which they held a dominant position.

That is a relatively small achievement compared to Brussels' long campaign to liberalise European air transport and to unwind public telecommunications authorities' stranglehold over the terminal equipment market, thereby bringing deregulation to a major slice of the EC's Ecu17.5bn overall telecommunications equipment sales.

The crucial debate that now lies ahead is how much further member states are prepared to let Brussels develop this strategy in the run-up to 1992. For it is increasingly becoming the case that decisions on competition policy are having a wider impact on the development of EC industries.

Judging by the sensitivities aroused by the Commission's merger control proposals, and to a lesser extent by its tactics in freeing the telecommunications terminal market, the

Continued opposite

Martin Wolf looks at European Monetary System prospects

Prospering EMS provides something for everyone

THE VIEW of Anglo-Saxon economists had tended to be that the European Monetary System was bound to fail, being subject to all the defects of the post-war system of fixed exchange rates that broke down in the 1970s. None the less, it has survived and prospered.

As the chart demonstrates, the EMS has not fixed exchange rates. In fact, since its inception there have been no fewer than 11 realignments, the last on January 12 1987. None the less, the EMS appears to have reduced exchange rate volatility and has not done so at the expense of greater interest rate volatility. (See, for example, a recently published study by M.J. Artis and Mark Taylor[1].)

Apart from reduced exchange rate volatility *per se*, the main benefit for members, other than West Germany, has been the increased credibility of the counter-inflationary effort. (See, for example, a study published earlier this year by Jacques Melitz[2].)

The reduction in inflation in EMS countries has been remarkable: in France, for example, from 13.6 per cent in 1980 to 3.1 per cent in 1987; and in Italy from 21.1 per cent in 1980 to 4.6 per cent in 1987. It used to be argued that this performance is not so impressive against the reduction in inflation in the UK, from 18 per cent in 1980 to 4.2 per cent in 1987. The argument looks less cogent today, however, as UK inflation wends its way upward again.

The main criticism of the system has been its deflationary tendency. Certainly, the growth performance of the EMS countries has been poor in the 1980s. There is a more subtle point here than that of the general conservatism of German economic policy. Within the EMS higher inflation countries have tended to lose competitiveness against West Germany. Consequently, pressure on West Germany for a more expansionary policy (including US pressure) has been mitigated by its success in exporting to its EC partners.

It appears, therefore, that the EMS has worked because it has given something valuable to all parties. Can this continue? Three reasons are advanced why the EMS cannot survive in its current form. The first is the growing trade surpluses of West Germany with other EC countries. The second is that member countries (apart from West Germany) now put greater emphasis on growth and less on control over inflation. The third is the abolition of exchange controls that is to apply to most EC countries by 1990.

A single market would probably operate better with fixed exchange rates. Furthermore, with *due respect to the British Chancellor of the Exchequer*, a rigid exchange rate system would be feasible without loss of political sovereignty. Even under monetary union, member states would retain fiscal independence. The constraint upon them would be that they could not print money to finance their expenditure

The first of these developments means that currencies will probably be realigned again. This would, however, not represent any change in the fundamental concept of the EMS, but rather in its current method of operation. On the second point, it is true that France is worried about being "strangled" by German macroeconomic conservatism. But this does not mean that France, of all countries, will abandon the EMS if she does not obtain greater influence over German policy.

Finally, the abolition of capital controls will make a difference, but how great that difference will be is uncertain. The effectiveness of existing controls is probably quite limited. Correspondingly, the abolition of controls may not have as decisive an impact on the workability of existing arrangements as is sometimes thought.

In short, the EMS may confound its critics, both internal and external, and survive in roughly its present form. But should the EMS evolve further and in what direction?

A single market would probably operate better with fixed exchange rates. Furthermore, *pace* the British Chancellor of the Exchequer, a rigid exchange rate system would be feasible without loss of political sovereignty. Even under monetary union member states would retain fiscal independence. The constraint upon them (probably a desirable one) would be that they could not print money to finance their expenditures.

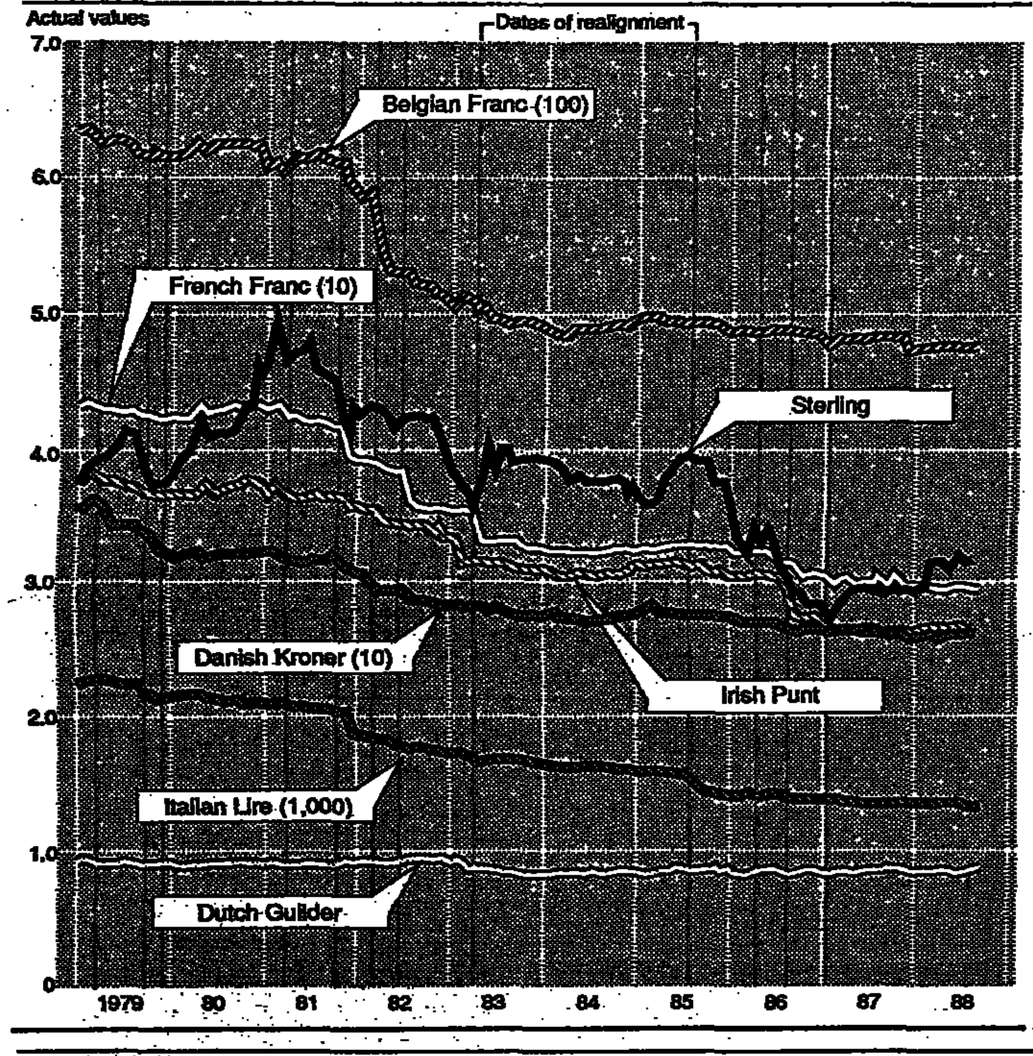
What is likely to happen? Those who believe in fine tuning at a national level are likely to oppose development of the EMS in a more rigid direction (or choose to remain outside it). Those who believes in fine-tuning, but think it can now only work at the level of the EC as a whole, are likely to promote the development of the EMS in a more rigid direction, but along with dilution of influence of the Germans within it.

Meanwhile, those who take a sceptical view of macroeconomic fine-tuning and live outside West Germany are likely to promote currency union as a way of importing German preferences into their own societies. Finally, the Germans themselves would, presumably, wish to go in the direction of a currency union only if they could be sure that their own policy preferences would continue to be dominant.

Given such radically different objectives and perspectives, one thing alone is certain: despite all the talk, it will be a long time before decisive movement occurs in any direction.

[1] *M.J.Artis and Mark P Taylor, Exchange Rates and the EMS: Assessing the Track Record, Discussion Paper No. 250, April 1988, Centre for Economic Policy Research, London.*
[2] *Jacques Melitz, Monetary Discipline and Co-operation in the EMS: a Synthesis, Discussion Paper No. 219, January 1988, Centre for Economic Policy Research, London.*

European exchange rates versus the D - Mark



Tough line on competition

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debate will be long and complex.

Under the current system, the Commission feels it faces a *big practical problem in* merger control – it can only ask for changes to anti-competitive takeovers after the deals concerned have been completed.

Its ability to block in advance the consortium bid for Irish Distillers was only thanks *to an unusual quirk in the* way the bid was presented, an opportunity that is unlikely to be repeated.

Proposals to change that state of affairs, to allow Brussels to vet all large cross-border mergers in advance, have been in front of member states for 15 years. The Commission is now trying to release the deadlock again, on the grounds that the single market programme makes the need for such controls more urgent than ever. Bona fide deals would benefit from the security *of the Commission's blessing*, while anti-competitive takeovers could be nipped in the bud well before they get a chance to evade the internal market, the argument goes.

Until recently, the most commonly voiced objection was that this would be an unnecessarily *bureaucratic drag on* European industry's already overdue process of reorganisation. Some of the early doubters – mainly France and West Germany – appear to have been won over by changes to the proposed regulation to ensure that fewer companies would have to notify deals to Brussels and that the Commission would produce faster decisions on individual deals.

However, Britain remains unconvinced. Its concern is more fundamental. London fears the plan has no clear *demarcation between Brussels'* powers and those of its own Monopolies and Mergers Commission. Neither can Britain accept the prospect of national decisions on mergers being over-ridden by Brussels. Since the regulation requires member states' unanimous support, *it has no hope of getting* adopted until that objection can be answered.

The other area in which Brussels' attempts to push EC competition rules to new limits is inflaming national sensitivities is telecommunications equipment. This dispute was sparked off last spring, when the Commission decided to apply a little used provision of the Treaty of Rome – Article 90 – that gives it the power in some circumstances to issue directives without going through the normal process of *consulting EC Governments*.

Brussels chose the issue on which to do so extremely well. It launched a draft directive proposing to scrap telecommunications authorities' monopolies over terminal equipment. The irony of it was that the idea had the support in princi*ple of all member states, yet* they disliked intensely the style in which the Commission promoted it.

In the end, however, Paris was the only one to refuse to swallow its pride, unable to tolerate this challenge to what it saw as its constitutional rights. France has, as a result, taken the Commission to the European Court of Justice for allegedly overstepping its powers.

These are only the first rounds in a longer battle over the future shape of EC competition policy. The debate over merger control has a long way to run, and the Commission is planning more directives using the same own-initiative principle as the controversial telecommunications terminal equipment plan.

Mr Sutherland's portfolio looks likely to fall to a new and possibly less forceful Commissioner for the Brussels executive's new four-year term starting in January. But the growing sense of the importance of competition policy is said to run strong and deep throughout the EC's institutions. So member states will *come under ever more pressure* to tackle directly the question of just how much and what kind of competition power should be wielded at Community level in the approach to 1992

William Dawkins

LABOUR MARKET

Delayed adjustment of attitudes to work

EUROPEAN holiday-makers mingle as they walk the streets of Paris and sun themselves on the beaches of Malaga. Transnational business executives congregate every day in large hotels and airports throughout Europe.

New towns attempt to attract international companies by offering a designer urbanity in which British, German, and French companies can work side by side in harmony.

All are indications of the increasing integration of European work and social life. They also hint at the importance that culture will play in Europeanisation. Not the culture of opera, art or literature – but the culture of work.

It may be difficult for governments to agree, and companies to adjust, to the reduction of bureaucratic control of cross-border flows of goods and services. But it is almost certain that the labour market will adjust more slowly than either financial or product markets. The delayed adjustment of attitudes towards labour mobility both within European companies and between countries, the need to retrain workers and managers, could act as a major constraint on how quickly economies adjust to the single market in the 1990s.

The European labour market of the 1990s will be shaped both by direct factors, such as the level of mobility between countries, and indirect factors, such as the impact on national labour markets of changing competitive pressures in product markets.

The most immediate direct effect is likely to be felt within companies – the internal labour markets of European companies.

Mr Richard Pearson, director of the Institute of Manpower Studies at the University of Sussex in Brighton, says: "The main question companies are asking is the most obvious – how do we have to change our training, personnel planning, career planning and recruitment strategies to become European companies?"

Most European companies seem likely to confine internal mobility to the higher echelons of the workforce – managers and other professionals. The development of greater professional and managerial mobility within companies may then spill out into the external labour market with, for instance, more Continental companies competing to recruit at British universities and management schools.

Mr Rob Lindley, of the Institute for Employment Research at the University of Warwick says: "The real test will be whether increased managerial and professional mobility will transfer down the occupation ladder to skilled manual workers and technicians."

If that were to happen on a large scale it could be that something like a European labour market in information technology specialists, or skilled building workers, might emerge.

The EC's proposals to introduce a European vocational training passport to verify qualifications, convertible qualifications through mutual recognition of diplomas, and other formal certificates, could pave the way for a greater international flow of professionals.

But the proposals on training and qualifications could simultaneously lower barriers between countries, but raise barriers between different occupations. It may become more difficult for countries unilaterally to alter the relationship between professionals and intermediate professionals, for instance in the legal profession, or in engineering. Thus one measure of increased labour market flexibility – international mobility – might be traded for lower flexibility in another direction – occupational mobility within countries.

The other main area where there could be increased labour mobility is among the unqualified, unskilled, often marginalised workers in service sector work.

For most workers there is little incentive to move, when living standards and labour demand does not differ markedly between countries, and the costs of moving and uncertainty about job prospects are high. However, there may be some incentive for more workers from poorer regions of southern European states to move to Northern economies, particularly if the decline in the number of young people in Northern Europe means companies find it difficult to fill vacancies for unskilled staff.

Could it be then that unskilled workers from Greece, Italy and Spain could start to work in significant numbers in the burger bars and on the building sites of London? Would unemployed workers in Hull turn to Rotterdam and Hamburg for work, rather than to Southampton?

Mr Pearson says: "It seems unlikely there will be labour migration on any large scale. People can move now if they want to; 1992 will not make much difference to the costs and benefits. There will be change, but it will be more of the same."

Even if labour mobility does not rise significantly, it could be that European labour markets become more alike, because production and corporate organisation becomes more European. Even if West German and French workers do not switch jobs, their jobs may become more alike.

Mr Peter Evans, of the OECD's trade union advisory committee, says: "It is likely there will be some convergence in industrial relations procedures in European companies – consultative procedures involving European unions. But it will be another a matter whether there will be any convergence in the substance of collective bargaining to European pay, hours, and conditions."

It seems likely that even if European companies integrate production, and centralise their senior management, pay bargaining will continue largely to reflect local factors, like differing national productivity levels.

The forthcoming pay negotiations at Ford will be an important test of how far unions will be able to co-ordinate pressure for common European conditions: the UK unions are likely to press for cuts in working time to match their West German counter-

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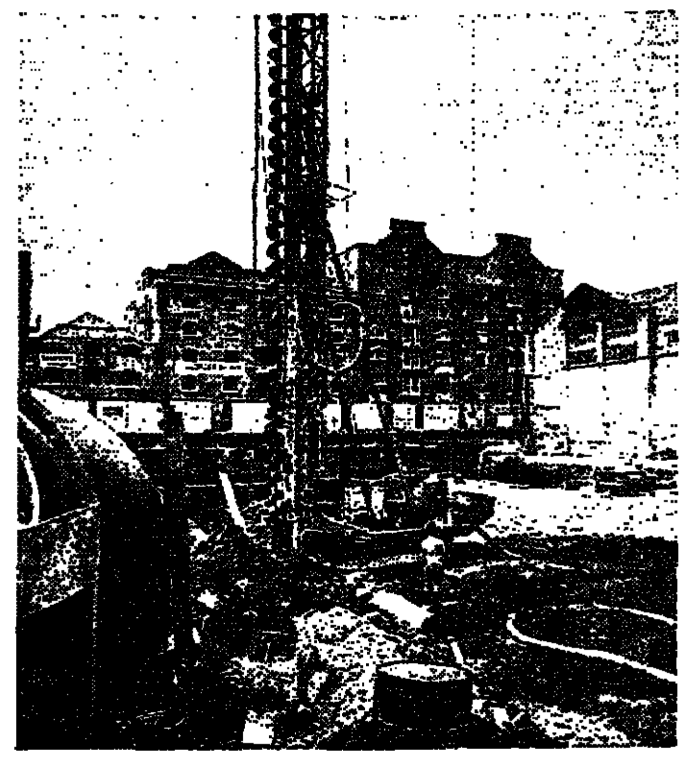
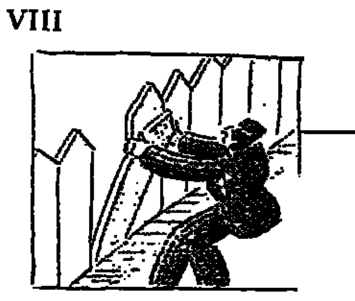


Skill shortages in the construction industry and substantial wages are already attracting labour from the Continent to redevelopment work in London's docklands



John Plender on creating a single market in financial services

Cocktail of liberalisation

A SINGLE market in financial services poses an unusual challenge for the Community because it raises intractable issues that are peculiar to the sector. National governments are traditionally reluctant to relax their grip on monetary and payments systems. They also feel a need to maintain prudential controls over banking. And in view of the complexity of investment products, savers have traditionally been accorded a higher degree of regulatory protection than consumers.

It is a mark of how far deregulation has penetrated the thinking of governments of all political colours that the sensitivity about monetary policy has been significantly eroded in the 1980s. Well in advance of the single market for example, the supposedly nationalistic French have allowed much of the trade in French Treasury bonds to emigrate to London and New York. The European Commission has none the less taken a rather different approach in banking, insurance, securities and fund management than in the rest of the 1992 programme.

As well as adopting the principles of a minimum level of harmonisation and mutual recognition of member states' supervisory competence, it has proposed a system of home country control for those wishing to do business outside their domestic market. This means that a bank licenced in West Germany or Portugal will have a single passport to set up in London or Paris and compete on the basis of its own domestic rules rather than those of the host country. The Commission has also added the principle of reciprocity, whereby access may be denied to non-EC banks and securities houses once the relevant directives come into force.

Taken together with the lifting of capital controls in Europe this makes for a very powerful financial cocktail. The Cecchini Report estimates that the completion of the internal market in financial services could generate 1.5 points of the 4.5 per cent addition to Community GNP that it considers possible over six years in a single market. And the huge increase in competition will cause the price of most financial products to fall. Cecchini reckons that these falls could range on average from 7 per cent and 10 per cent respectively for Britain and West Germany, to 21 per cent in the under-developed Spanish market. That last figure helps explain the fascination that Spain now exerts for expansionist-minded bankers, brokers and insurance groups.

The competition effect will work at several levels. As with European industry, financial services business ought to gravitate, in a liberalised market, to the place where it can be carried out most efficiently. But in finance, regulation plays a disproportionate role in establishing which financial centres attract what business. Britain is relatively heavily regulated. And, as Mr Malcolm Levitt, a partner in the London-based practice of consultants Ernst & Whinney points out, this has important consequences.

Countries with high tax rates will not, it is argued, be prepared to eliminate controls on cross-border purchases without some degree of VAT harmonisation

Under the new Banking Act, for example, British-based banks incur heavy costs in meeting the Bank of England's requirements for internal control reviews, while securities firms in London have to comply with cumbersome conduct of business rules. Competitors from less heavily regulated countries will not carry the same burden. The fear is that business will tend to migrate to centres that offer lower levels of regulation and taxation. The integrity of markets might then be adversely affected.

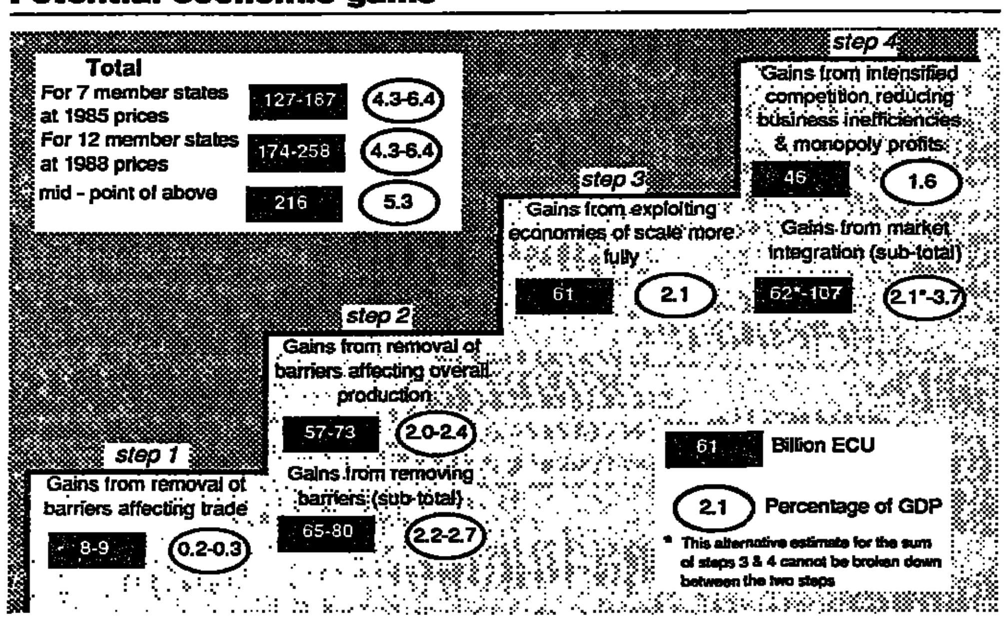
Britain's Securities and Investments Board is already committed to some relaxation of its rules, which will help with the problem. But it is not peculiar to London. Consider the Dutch, who are proud of their high regulatory standards in banking and worried about losing control of foreign banks operating in Holland.

In wholesale financial markets there seems little doubt that liberalisation will bring about a one-off fall in the relative cost of capital for the European corporate sector. The chief beneficiaries may be those companies for whom the Euromarkets are now just out of reach. Many US investment banks see a huge future in hitherto unsophisticated Continental European markets for leveraged buy-outs and venture capital funding. British merchant banks hope to cash in on an explosion in cross-border merger and acquisition activity.

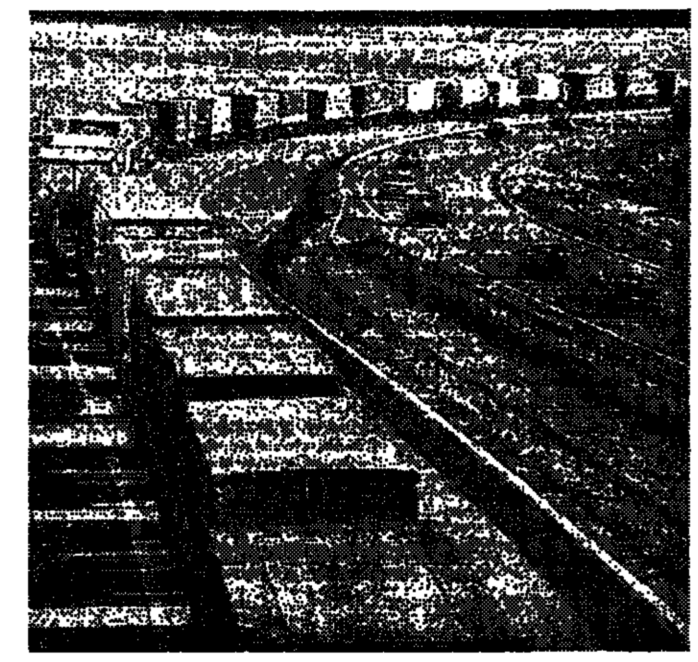
There will be big gains in retail finance, too – for example in insurance, where the Italians suffer from poor and exceptionally over-priced products or consumer finance, where the British pay way over the odds by European standards. Since non-domestic firms lack recognition in the mass market for financial services, cross border activity may be directed chiefly at very rich individuals or will take place via joint ventures or takeovers.

There will be casualties, too. As Mr Andrew Stewart-Roberts, a vice chairman of S.G.Warburg points out, liberalisation is not a zero-sum game; but if Cecchini's savings are to be achieved, someone will have to lose money in the process.

Potential economic gains



Source: Commission of EC, study of Directorate-General for Economic & Financial Affairs, op. cit.



Frontier barriers are not economically significant

Assessing the benefits of the single market

Painful challenges, important gains

IS A single market worth having? To the European Commission's credit, the benefits of the single market have not just been asserted; an attempt has been made to calculate them. Those estimates are the right starting point for an analysis of the potential benefits – and of what has to be done to achieve them. The bible on the subject is a special issue of the European Economy[1] reporting the results of a professional research programme. But the bible needs exegesis, which has been supplied Mr Paolo Cecchini[2].

The starting point is, simply, that the economic benefits of the 1992 programme are the mirror image of the costs of not having an integrated EC economy today. As shown in the table above, those benefits are estimated at Ecu 216bn in 1988 prices (£140bn), or 5.3 per cent of total Community gross domestic product.

More interesting, however, is the breakdown. The abolition of frontier barriers turns out to have rather modest economic benefits, estimated at only 0.2-0.3 per cent of GDP. Removal of other barriers – public procurement, diversity of industrial standards and national regulations, as well as restrictions on trade in services – is far more important, contributing a gain equal to 2.0-2.4 per cent of GDP. What is most intriguing is that the subsequent gains from market integration – exploitation of economies of scale and intensification of competition – are expected to be of roughly the same magnitude as those from removing the barriers.

What conclusions can be drawn from this analysis?

The first is that the customs union works. Barriers to the flow of goods across frontiers are not economically significant. The Cecchini report notes that the direct cost to companies of border controls was an average of only 1.5 per cent of the average consignment's value.

This does not mean, however, as the British Treasury has argued, that the elimination of frontiers is unimportant. It means that the main effect of this flagship of the 1992 programme will be psychological. Without frontier controls, travelling from Paris to London will be just like going from Paris to Calais. Mrs Thatcher's determination to keep customs posts at Waterloo Station symbolises her desire to make the nations of Europe feel distinct from one another.

The second main conclusion is the extent of the economic adjustment required. For example, there are at present some 50 tractor manufacturers in the EC fighting over a market similar in size to that served in the US by just four. Similarly, in the US there are four producers of domestic appliances; in the EC there are 300.

Most adjustment is needed in industries fragmented by public procurement. Liberalisation would make more impact than the removal of all remaining frontier barriers

The situation is still worse in industries fragmented by national public procurement. For example, in boilers, locomotives, turbine generators and telephones there is virtually no trade within the EC. In the case of West Germany, prices of telecommunications equipment are between 50 and 100 per cent above world market levels. No wonder that liberalisation of public procurement is estimated to be of greater importance than the removal of all the remaining frontier barriers.

Similarly, if prices of financial services were to fall to the lowest level within the EC the average price reduction in West Germany, Belgium, France, Italy and Spain would be over 20 per cent. Liberalisation of financial services is, on its own, expected to increase EC GDP by 1.5 per cent.

Painful adjustment is the other side of the coin from the potential gains. Firms will fail, factories will close, and workers will lose their jobs. If these changes are allowed to occur, the benefits may turn out to be greater than estimated. There is no reason, after all, why a unified EC market should not have incomes per head equivalent to those of the unified US market.

The third conclusion is that there is an intimate relationship between the liberalisation of the internal market, on the one hand, and trade with the outside world, on the other. Given all this adjustment, the temptation to increase protection against outsiders will be strong. It will have to be resisted, however, not merely because of the fear of trade wars, but because the benefits of greater competition and larger scale will not cease at the borders of the EC.

Finally, as the Cecchini report notes, a microeconomic "shock" on this scale could have major effects on the growth performance of the EC, as did the formation of the original EC of the Six. The Cecchini report is right, therefore, when it asserts that "1992 is not simply a date. It is a programme, and a strategy". It can bring very large benefits, but only if the countries of the EC are also prepared to face up to some very painful challenges.

Martin Wolf

[1] *The Economics of 1992, The European Economy, Number 35, March 1988.*

[2] *Paolo Cecchini, with Michel Catinat and Alexis Jacquemin, The European Challenge:1992: The Benefits of a Single Market (Wildwood House, 1988).*

COMPETITIVE PRESSURES

Facing taxing times

THAT THE EC's 1992 programme will increase competition among individuals and firms is self-evident. After all, what else can a "single European market" mean? What is less obvious, perhaps, is that competition among individuals and firms implies fierce competition among governments, too.

In order to make a reality of the long-standing dream of a single European market, the EC needed a new idea. The old approach of harmonisation of rules and regulations proved infeasible – and would be undesirable, if it were feasible. The new idea was "mutual recognition", born in the landmark "cassis de Dijon" decision of the European Court of Justice of 1979. Mutual recognition means, quite simply, that products and services allowed to circulate in one member country may also circulate freely in the others.

This approach puts the different regulatory regimes of the EC in direct competition with one another. Except where purchasers can be persuaded that a tighter regulatory regime is in their individual self-interest, weak regulatory regimes will undermine the stronger ones.

It is amazing that the EC member states have agreed to so radical a principle. But important questions arise: first, how far will the process of competition among government be allowed to go? Second, is the principle of mutual recognition enough, on its own, to create a competitive single market? Finally, will continuing intervention be needed to make the single market a truly competitive one?

Whether rightly or not, there are few areas in which governments will permit the principle of mutual recognition to operate *tout court*. Many of the problems now taking up the time of the Commission and the Council of Ministers concern the minimum standards to be met as a precondition for removing restraints on trade.

VAT harmonisation is an excellent case in point. There is a good argument that VAT harmonisation is unnecessary, because competition among tax authorities will force convergence of tax rates. But the market would force convergence on the lowest rates, which is fine for the UK, but not so good for Denmark (as is clear from the Table). Countries with high tax rates will, the Commission argues, not be prepared to eliminate controls on cross-border purchases without some degree of VAT harmonisation. So the Commission has suggested two VAT bands: one from 14 to 20 per cent, and a reduced rate of 4 to 9 per cent.

VAT rates in the EC, %

	Reduced	Standard	High
Belgium	1 & 6	19	25 & 33
Britain	0	15	None
Denmark	None	22	None
France	2.1 to 7	18.6	$33\frac{1}{3}$
Greece	6	18	36
Holland	6	20	None
Ireland	2.4 & 10	25	None
Italy	2 & 9	18	38
Luxembourg	3 & 6	12	None
Portugal	8	16	30
Spain	6	12	33
West Germany	7	14	None
Commission proposal	4 to 9	14 to 20	None

Source: EC Commission

The Commission is probably right to argue that a minimum rate of tax must be agreed if there is to be abolition of controls on cross-border shopping. But the desire of the Commission to impose maxima as well looks like a throwback to the bad old days of harmonisation.

The same issue surfaces, in different guises, elsewhere: for example, in financial services there is the need to determine minimum standards of prudential regulation; similarly, freedom for capital flows may yet be imperilled by failure to agree on minimum withholding taxes. The danger is, of course, either that the minimum standards will be forced towards the most restrictive level within the EC or that the desired liberalisation will not occur at all.

Competitors will not necessarily carry the same burdens. The fear is that business will tend to migrate to centres that offer lower levels of regulation and taxation. The integrity of markets might then be adversely affected

The principle of mutual recognition and the associated debate about minimum EC-wide standards is the essential issue, but it is not the only one. Sometimes mutual recognition of standards will not be sufficient to create a competitive market.

One case is public procurement. Liberalisation of public procurement cannot be achieved by an agreement for governments to step aside and let the market work, for governments are the market. Another case is industrial standards. The principle of mutual recognition will help here, but it will be insufficient on its own. What use is it for a light bulb made under British standards to be sold freely in West Germany if it will not fit German sockets? A mixture of mutual recognition and agreement on technical standards will be needed.

Finally, even if the single market were to emerge, important issues would remain: for example, control over mergers, and the distortions introduced by differential tax and, above all, subsidy policies.

The Commission, under the energetic prompting of Commissioner Sutherland, has made the logical suggestion that there is a case for EC-wide vetting where a merger affects more than one EC country. More important, probably, will be the issue of state aid. As barriers go down, state subsidies (along with protection against outsiders) will become the main instruments of industrial policy. Fortunately, such subsidies are always constrained by finance ministries. None the less, the Commission will, undoubtedly, find the control over state subsidies among its most difficult, and most important, tasks.

Despite the foreseeable problems, it is already clear that the EC has adopted an extraordinarily powerful lever for increased competition. Moreover, it is not merely producers of goods and services who will find themselves subject to greater competitive pressure than ever before; it will be governments, too.

Martin Wolf

Delayed adjustment

Continued from previous page

parts. The West German and Spanish unions will be negotiating with the company within months of the British unions.

Without convergence in collective bargaining, there is only one reason why European unions should co-ordinate their actions – to lobby the EC over the "social dimension" to harmonisation.

The unions' initial goal will be the harmonisation of health and safety at work regulations, with the aim of moving onto measures to ensure companies regularly consult unions over corporate strategy.

The British TUC has responded enthusiastically to 1992. But Department of Employment officials believe the unions' hopes are over-optimistic. The aim of 1992 is to create greater flexibility, not to create additional European-wide regulations, even on how machines should be covered by safety guards. An alternative might be to establish individual workers' rights to health and safety, which could be delivered in different ways in different economies.

A European labour market will not emerge for some time, if it emerges at all. But what is clear is that greater European competition in product markets could have a significant impact on the labour market and industrial relations within the UK.

At the very least, corporate restructuring, rationalisation, and increased competitive pressures could lead to painful transitional costs, which will require higher spending on retraining and additional measures of labour flexibility to raise competitiveness.

If 1992 leads to more of the same in the labour market, it could strengthen both the positive and negative aspects of the British labour market. Higher growth could mean further falls in unemployment, but it could ingrain regional differentials in unemployment.

It will be a test of exactly how flexible and responsive the British labour market has become in the 1980s. Britain's labour market rigidity, the inflexibility of its system of pay bargaining, is generally blamed for at least part of the rise in unemployment in the 1970s, because wage growth failed to adjust to the rise in oil prices which squeezed company profitability.

The single European market will not be a sudden, unforeseen economic shock like the oil price rises of the 1970s. Nor will it be a dramatic change of economic policy, like the shift to monetarism in the UK in the late 1970s which came with a steep rise in unemployment as the labour market failed to adjust in the way neo-classical economists had predicted.

If the British labour market does not respond more effectively to change in the 1990s than it did in the 1970s, and 1980s, it will be a sad commentary on the ability of workers, companies, unions and Government to transform a key part of the economy.

Charles Leadbeater

TOWARDS A SINGLE EUROPE 9

David Buchan on the disparities between EC member states

North and south poles apart

JUST AS Tolstoy wrote (at the start of *Anna Karenina*) that while all happy families were alike but each unhappy family *was unhappy in its* own way, so one could argue that Community member states all share the same hopes for 1992, but have very different fears about it.

Their general hope is, of course, that greater competition inside the single European market will put downward pressure on prices and improve external competitiveness, enabling member states to launch themselves onto a path of higher non-inflationary growth with little or no adverse impact on budget and trade balances.

But this general hope — expressed at length in the European Commission's Cecchini report — is marred by two very different sets of fears.

The richer countries, the *original six member states* plus Denmark and the UK, are to varying degrees worried about having to compete with the lower wages and social costs that prevail in the poorer four countries — Spain, Portugal, Greece and Ireland. Those countries with the highest levels of wages and labour market regulation — West Germany and Denmark — have been particularly vocal in warning against "social dumping", by which they appear to mean the competitive slashing of workers' pay and rules in the south to attract investment and manufacturing jobs from the highly-regulated north.

A subsidiary fear of the richer north is that opening all public procurement to free Community-wide competitive bidding could lead to a further influx of cheap labour into civil construction, such as had already occurred with the Portuguese in Luxembourg or, for that matter, the Irish in the UK.

The trepidations of the poorer countries, by contrast, centre more on their financial and services sectors. The eight richer member states are to lift all controls on their capital movements by mid-1990, and the poorer four are to do likewise two years later, though *Greece* and *Portugal* might get a further grace period until 1995. In such a Community of free-flowing money, the poorer countries naturally fear their *domestic savings* will tend to go north in search of a better rate of return in countries with higher rates of productivity.

In addition, the poorer countries' services sector are generally over-protected and ill-developed, with European consumer surveys regularly showing relatively higher costs for banking, insurance, telephone calls and so on in those member states. In the poorer countries, therefore, many financial institutions positively dread the greater competition from the north that 1992 will bring, though of course local industry could benefit enormously from lower service costs.

GDP per head (1987)	
Luxembourg	129.3
Denmark	123.9
Germany	121.6
France	114.0
Belgium	109.8
Netherlands	106.1
UK	102.0
Italy	91.7
Spain	75.0
Ireland	*70.7*
Greece	57.1
Portugal	46.2
EC 12	100

Source: EC Commission

So far, there seems little foundation to either set of fears about 1992. Inward investment into the poorer countries, particularly Spain, has increased sharply, but there is no evidence that it is the result of these countries indulging in a competitive devaluation of their labour rates or regulations, relative to those prevailing in northern Europe. The Spanish government in fact complains that its labour is neither particularly cheap nor flexible; hence Spain has the highest EC unemployment rate, averaging 20 per cent this year.

What little evidence the Cecchini report had on the regional impact of 1992 showed somewhat greater optimism by business in peripheral countries. Most of Cecchini's analysis centred on the larger and richer countries. But its *business opinion survey showed* that industry in Denmark, Spain, Portugal, Greece and Ireland believed that 1992 might reduce production costs by 2.9 per cent (compared to the 2 per cent estimate of industry in the other seven countries) and might increase sales by 7.3 per cent (compared to the 4.7 per cent forecast in the other seven countries).

The reasons for this are not hard to find. Individual firms in the smaller peripheral Community members may stand to lose from liberalisation in transport, telecommunications, public procurement and services, but local industry stands to gain from quicker, cheaper communication with a larger market that permits — to the successful — greater economies of scale.

However, there is little room for complacency about the impact of a programme, which the Commission reckons could cause up to 250,000 job losses a year during an initial few years, on a Community which already has nearly 16m people out of work and extraordinarily wide disparities. By way of comparison with the US, the Community's regional disparities are twice as large in the case of incomes rates and three times as large in the case of unemployment rates.

Each successive enlargement (the UK, Ireland, Denmark in 1973; Greece in 1981; Spain and Portugal in 1986) has widened the gap between richest and poorest. The advent of the Iberians had the effect of increasing Community output and work force by 12-13 per cent; population by 18 per cent; jobless total by 30 per cent; and territory and number employed in farming by 36 per cent. Even by the mid-70s economic divergence had replaced the convergence of the 1960s, and by the mid-1980s regional disparities in unemployment were two-and-a-half times more pronounced than in 1975.

Net migration between member states has come to a virtual halt in recent years. Capital mobility is likely to replace labour mobility as the most promising factor for convergence, or at least for preventing further divergence. The *overwhelmingly proportion of* this capital will come from the private sector and from national exchequers.

But, by decision of the 12 EC *heads* of government, the Community is over the next five years to double progressively the amount of structural aid to poorer countries and regions, with problems either of rural backwardness (the Mediterranean, Ireland, the UK's Celtic fringe, bits of France) or of industrial decline (as in other parts of the UK, Belgium, northern and eastern France, even parts of Germany). By 1992 payments out of the Community's regional, social and agricultural guidance funds will total ECUs 13bn (£8.6bn) a year.

It remains to be seen whether some countries, particularly Greece, will have the organisational abilities for a rational absorption of more money, when in some cases they cannot cope with what Brussels is already offering them.

However, a larger question for the states on the Community's periphery is whether they can really become part of a single European economy, as well as of a single market. The issue is raised partly by the commitment to capital liberalisation and partly by the current investigation headed by Mr Jacques Delors, the European Commission president, into possible new steps towards monetary union.

Even joining in the present exchange rate mechanism (ERM) of the European Monetary System would be a big step for Spain, Portugal and Greece — not to speak of the UK with its distinctive conception of monetary sovereignty. Spain is the most likely next candidate for ERM membership, because of its presently booming economy and relatively low inflation rate. ERM membership is harder to envisage for Portugal and Greece with double digit inflation rates.

But for all the poorer member states, growth remains a higher priority than internal price stability or maintenance of a certain set of exchange rate parities with the rest of the *Community*.

EFTA

Renewed threat perceived

THE European Community's accelerated drive towards a single internal market has sent shocks and tremors through six of its nearest neighbours. The effects are widespread anxiety in their business communities and revived political debate about national sovereignties and long-established foreign policies.

The six small but wealthy countries of the European Free Trade Association — Austria, Finland, Iceland, Norway, Sweden and Switzerland — chose for varying reasons, steeped in their national histories, to remain outside the Community.

At a previous crisis in 1972 and 1973, when the UK and Denmark left them to join the Community, the six all secured individual free trade agreements with the EC, effectively abolishing tariffs on industrial goods between the two blocs.

Now they see a renewed threat of discrimination from the Community's move towards greater integration of a market which is crucial to their economies. They cannot afford to be left out and yet the political reasons which prompted their original abstentions persist.

Their goal is to achieve the closest possible economic association with the EC with the least possible erosion of their sovereignties. So far they have been trying to resolve this conundrum by negotiating collectively through Efta a series of practical arrangements to widen and render more effective their existing free trade agreements.

Brussels' reaction has been on the whole sympathetic, showing some readiness to recognise a special relationship with a group of countries with which EC imports and exports totalled $200bn last year or $51bn higher than trade with the US — a group moreover with which the 12 ran a surplus of more than $8bn.

At a meeting in Luxembourg in 1984 Efta and EC ministers agreed to intensify co-operation and the rather nebulous idea of creating an "European economic space" comprising 18

Mr Mock: Austria plans to apply for EC membership

countries and more than 300m consumers was born.

In June this year at a meeting in Tampere, Finland, Mr Willy de Clercq, the EC Commissioner for External Affairs and Trade, and the Efta ministers defined 19 areas where closer collaboration should be negotiated.

Brussels' reaction has been on the whole sympathetic, showing some readiness to recognise a special relationship

These range from the smoothing of inconsistencies in technical regulations and legal protection for semi-conductor products, through the joint publication of public procurement tenders, to such major issues as financial services, transport and the participation of Efta enterprises in EC research and development programmes. Most items aim to make business between Efta and EC easier for entrepreneurs.

However, an EC Commission preoccupied with creating the internal market is not giving priority to co-operation with Efta and Mr de Clercq himself has stressed that there can be no "free ride" or "free ticket" into the single market for outsiders.

Moreover, Efta is not a closely-knit organisation with a strong central executive like the European Commission. The Efta secretariat in Geneva is gradually being strengthened but will total no more than 80 people by the end of 1989.

Cohesion among the six is far from self-evident. Four are Nordic nations. Two, Austria and Switzerland, are Alpine countries providing vital road and rail transit routes between the EC's northern and southern halves. Brussels is increasingly concerned about the Swiss refusal to provide road passage for lorries weighing more than 28 tonnes.

Four of the six — Austria, Finland, Sweden and Switzerland — are neutrals. Two — Iceland and Norway — are members of Nato.

Neutrality is the essential concept in Efta-EC political relations but each of the four Efta neutrals jealously guards its right to define its own neutrality and each has a different, historically-based interpretation. These definitions largely determine how far each of the four is willing to go in its political association with the Community.

Mr Alois Mock, the Austrian foreign minister, said last month that Austria planned to apply for EC membership next year, although the 12 have made it clear they are not interested in taking on new members before they have completed their internal market. It has been said that an Austrian application would trigger the disintegration of Efta.

A rapid evolution towards *détente* in East-West relations under Mr Mikhail Gorbachev's regime in Moscow could conceivably stimulate change in Efta countries' concepts of neutrality, but for the time being Finland cannot consider EC membership, while both the Swedish and Swiss governments have dismissed the idea of applying to join in the near future.

In the Nato countries the ruling Norwegian Labour party, still feeling the bruising administered in a national referendum when it tried to take the country into the EC in 1973, does not want EC membership to become an electoral issue. Iceland sees no point in having its fisheries enmeshed in Brussels' politics.

Many Efta multinational concerns have already staked out their positions within the EC internal market. The outlook is far more uncertain for smaller companies, while the risk of exclusion sends cold shivers down the backs of bankers and purveyors of financial services.

Disquiet is strong even among the big corporations. Last month in a joint article published in leading Finnish and Swedish newspapers Mr Per Gyllenhammar, chairman of Volvo, and Mr Kari Kairamo, chairman of Nokia, voiced doubts about Efta's capacity to negotiate with Brussels and called for a joint Nordic approach.

At present, official policy in all six capitals is to reinforce the combined approach through Efta while intensifying bilateral contacts with Brussels.

The next staging post, where new signals could appear, will be the extraordinary Efta summit in Oslo next March called by Ms Gro Harlem Bruntland, the Norwegian prime minister.

William Dullforce

Peter Montagnon, world trade editor, examines Europe's intentions towards the outside world

Fortress Europe feared by Tokyo and Washington

EUROPE'S plan for a single market by 1992 has been watched with a degree of both fascination and alarm in the capitals of the world's other two large trading powers, the US and Japan.

While both Washington and Tokyo acknowledge the potential world economic benefits from a more dynamic Europe, they are also worried that the rapid pace of adjustment that 1992 will force on European industry will lead the Community to become more inward looking. In short, the danger is that, in trade terms at least, it could become a fortress.

Although the EC Commission in Brussels has now, belatedly, begun to grapple with the trade issues involved in its 1992 project, officials from both countries say they still find it hard to obtain clear answers on a number of key questions. Their fear is that, particularly in the service sectors which are not covered by the General Agreement on Tariffs and Trade, the EC might try to write its own rules in such a way as to keep foreign competitors out.

Such is the rhetoric of international trade politics that some at least of these fears are almost certainly overstated. But a quick glance at the trade issues facing the EC in the run-up to 1992 shows that they could have some profound implications for the trading system as a whole.

From the very outset Mr Willy de Clercq, EC Commissioner responsible for external trade, has made it clear that, where trade in goods is concerned, the EC intends to abide by the rules of the Gatt. So far, so good, but the rules of the Gatt are frequently ambiguous and open to interpretation. What has also alarmed trading partners has been the EC's intentions in the new service areas that are outside the Gatt, like banking, insurance and some parts of government procurement. Here the EC has insisted that it will not give away to outsiders the advantage of its newly-liberalised market without seeking something in return.

In recent months the debate has thus turned on the nature of the reciprocity that the EC will apply to trading partners which seek access to its markets. Under the worst case scenario the fear was that it would seek to apply reciprocity retrospectively to foreign firms already operating inside the EC, that it would demand opportunities for its firms in foreign markets identical to those available in Europe, and that such demands would be automatic and based on a case-by-case assessment.

Were this the case the EC would run the risk of bitter disputes with its trading partners and a slide into bilateralism that could ultimately undermine the multilateral world trading system.

Partly as a result of international pressure, the EC seems now to be backing away from such a determined stand. The Commission has recently ruled that reciprocity in financial services will not be retroactively applied. Nor will it in general be automatic. Nor will the EC use identical treatment as a yardstick; it will simply seek to ensure that there is no discrimination against its firms in foreign markets.

Its announcement came as something of a relief to the international banking community, but the Commission's rather general statement has not entirely dispelled worries about how it will operate in practice. Moreover there are several other areas besides banking where Washington and Tokyo have worries.

Among these are standards and certification of industrial products, an area where the US fears that the EC could yet introduce procedures designed to keep foreign products out. For its part, Japan is particularly worried about cars.

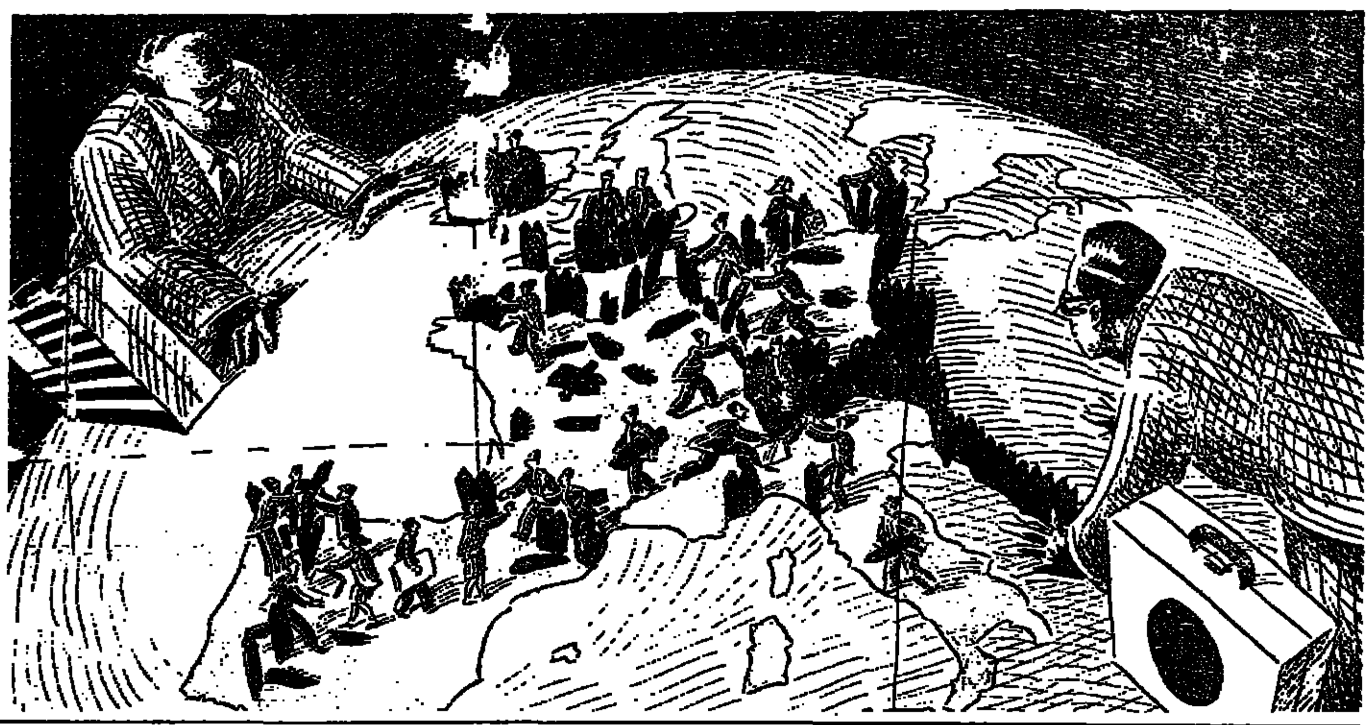
Japanese car sales in Europe are basically free in Benelux and West Germany but restricted, sometimes heavily, in other markets such as France, Italy, Spain, Portugal and the UK. The Community has been toying with a Europe-wide quota to replace these national restraints after 1992. But this raises questions of whether it should simultaneously demand specific assurance for its own producers in the Japanese market and whether Europe should arbitrarily impose local content requirements on Japanese producers.

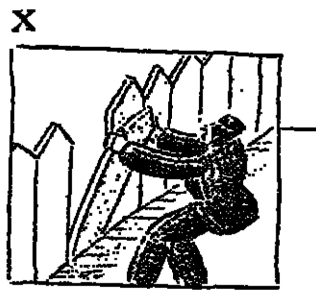
It will take some time before all these questions can be answered. Unlike the US whose room for manoeuvre in trade policy is set out in its omnibus trade legislation, the EC is expected to build up a policy piece-by-piece through a series of decisions on quite specific issues.

Officials like Mr de Clercq are fond of reminding the public that with a 20 per cent share in total world trade the EC cannot afford to espouse protectionism. Indeed, he says the EC intends to use the negotiating leverage it has obtained as a result of the 1992 project to foster a more general liberalisation of world trade by encouraging other countries to open up their markets, too.

Yet the tighter dumping rules adopted by the EC over the past couple of years underlines the protectionist pressures that Europe is facing from within. So does the fierce internal argument that raged in Brussels before the Commission ruling on the nature of reciprocity.

Though the current signs are that Europe would prefer to adopt a liberal approach to the outside world, these arguments have not yet played their course. With the pace of industrial adjustment set to quicken as 1992 draws nearer, they could even intensify. It would still be a bold person who would forecast that Europe after 1992 will not be defended by any fortress walls.





Richard Waters on company law, tax and accounting regulations

Hindrance to open market

MOST European businessmen have frustrating stories to tell of problems they have had doing business in other European countries. Different tax, company law or accounting regulations make it impossible to conduct business abroad the way it is done at home.

The dense web created by the interplay of these regulations is a significant hindrance to the creation of a truly open market. In practice, this shows through in a number of ways:

- The greater regulatory burden on a company in one member state when compared with a competitor in another, may distort competition. An example is the UK's requirement for all small companies to be audited. This is optional in the European Community's 4th company law directive, and the UK is the only country to take advantage of that option. A review of the 4th is currently underway, so this, at least, is one distorting factor that could eventually be ironed out. It costs small British companies £500m at the moment.
- Different tax regimes and rates may distort investment decisions. Businesses generally invest for commercial rather than fiscal reasons. But how and where they do it are often influenced by tax. The obliteration of barriers within the Community will accentuate these tax considerations, since it will be easier in theory to locate in one country and sell to another.
- Varying accounting and disclosure requirements make it difficult to compare the financial performance of companies in different countries. In some cases, consolidated group accounts simply are not available. This stands in the way of efficient investment, since free capital markets rely on full comparable information to weigh up competing demands for capital.
- It is impossible to run an efficient Europe-wide operation amid this welter of distorting rules and regulations. It takes a cohort of lawyers and accountants to help run a range of European subsidiaries within one group.

It takes a cohort of lawyers and accountants to run European subsidiaries

- Many of those frustrated by these things have focused on one initiative which appears to offer hope: the Societas Europea, or SA. This is the proposed European company which would transcend national company law, being governed only by Community law.

The SA has drawn strident criticism from the UK government and the Confederation of British Industry this autumn. They argue that it is unnecessary, and that it is yet another case of member states being forced to yield sovereignty to Brussels.

In reality, the critics are motivated as much by the question of worker participation as by the issue of sovereignty. An SA would follow one of the Continental European models for a corporate entity, enshrining participation by or consultation with workers in its constitution. To a UK government which has fought hard (and successfully) against similar proposals in the 5th company law and Vredeling directives, this is a back-door way of overturning the UK way of running companies.

This is a pity, since the SA raises some important questions. For a start, the ability to operate under one structure throughout the Continent would reduce the need for lawyers. Its supporters also claim that it would enable European entities to create a truly consistent culture, since managers would be freed from the national administrative shackles on the way they run their companies.

A second and more important impact would be on the tax position. A European company would be able simply to set a profit made by a branch in one country against a loss made by a branch in another.

This is more or less possible at the moment, except that for losses or profits to be passed between subsidiaries takes a fair amount of complex tax planning, and hence accountants' fees. Also, national revenue authorities may think this is unfair and try to undo these arrangements. For an SA to work, different EC revenue authorities would need to agree between themselves some way of sharing out the tax take – not a simple task.

The SA idea therefore raises far more questions than it answers. How can an SA be taxed, unless all EC countries apply the same system of tax? It cannot – and a tentative draft for harmonising corporation tax systems is currently being rewritten after receiving a frosty reception earlier this year. Until issues like this are settled, the Eurocompany will remain a dream in the mind of a Brussels civil servant.

Real advances would be based on harmonising tax systems

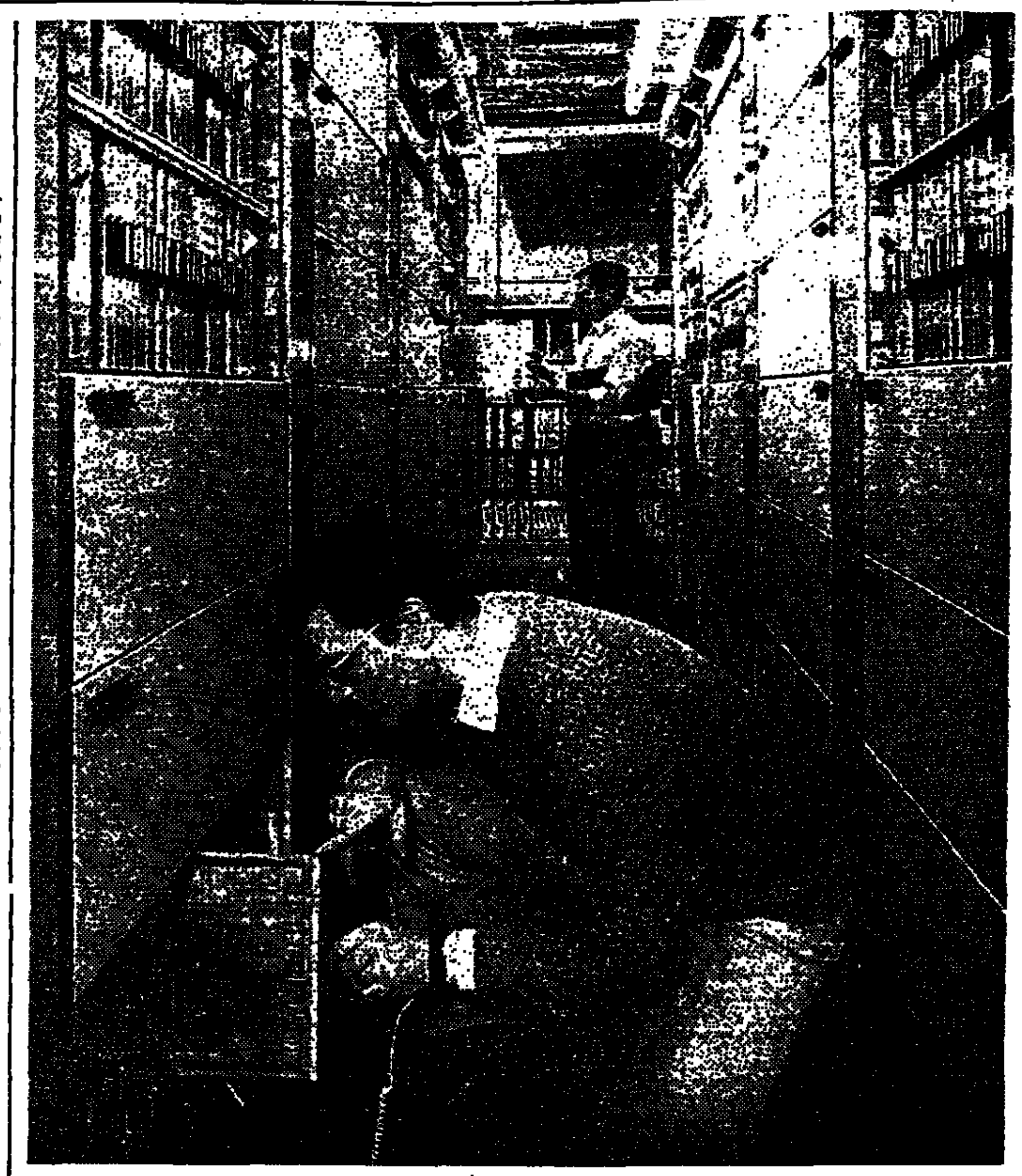
Meanwhile, significant strides have been made to bring some aspects of company law in different states into line. Some of these initiatives date back to the earliest days of the Community, but are only now working their way through into national law.

Good examples are the 4th and 7th company law directives. The first of these establishes basic accounting rules: which companies have to produce accounts, what has to be in them, and how they have to lay them out. To the UK, this is all old hat: it came in with the 1981 Companies Act. But the ripples are only just reaching other countries. German companies, for instance, have only been affected since the end of 1987. The number of German companies which have to produce accounts, and have them audited, has leapt up overnight from a handful to an estimated 40,000.

The 7th directive, dealing with consolidated accounts, is equally important. It requires all parent companies to prepare consolidated group accounts, and establishes rules as to what counts as a subsidiary and how it should be consolidated. Bringing order to this troubled area of accounting will not take effect legally around the EC until 1990: but many German companies are already complying in preparation for the big day.

These are real advances in the disclosure and presentation of accounting information. Unfortunately, the numbers that appear in the accounts still bear little relation to each other: simply forcing all European companies to show their fixed assets, and telling them to call them "fixed assets", does not mean that all fixed assets are valued the same way.

These detailed changes have quietly been eating away at the differences in accounting and company law over several years. But the real advances have yet to be made, and they are based on harmonising tax systems, and perhaps eventually tax rates. With such a direct bearing on each member state's fiscal policy, it is no surprise that these particular barriers will not fall until well after 1992.



Telephone lines in the EC cost between 2.5 and 5 times more than in the US

FINANCING THE COMMUNITY

Storm clouds keep their distance

THE DIN of EC budget negotiations is today but the echo of distant thunder.

Nine months after the "historic" Brussels Summit agreed a wide-ranging package of financial reforms, the Community's perennial spending rows have suddenly become an innocent sideshow to the main event.

Farm spending this year has been well within estimated bounds; the European Parliament is no longer seriously grinding its axe; and member states have just heard the good news that, thanks to higher than expected income and lower than anticipated expenditure, they should make a collective saving of Ecu3.8bn (£2.5bn) on their contributions to the 1989 budget.

The big question in Brussels is whether all this is merely a temporary respite from the storm, or whether the February agreement can be made to stick over the longer term.

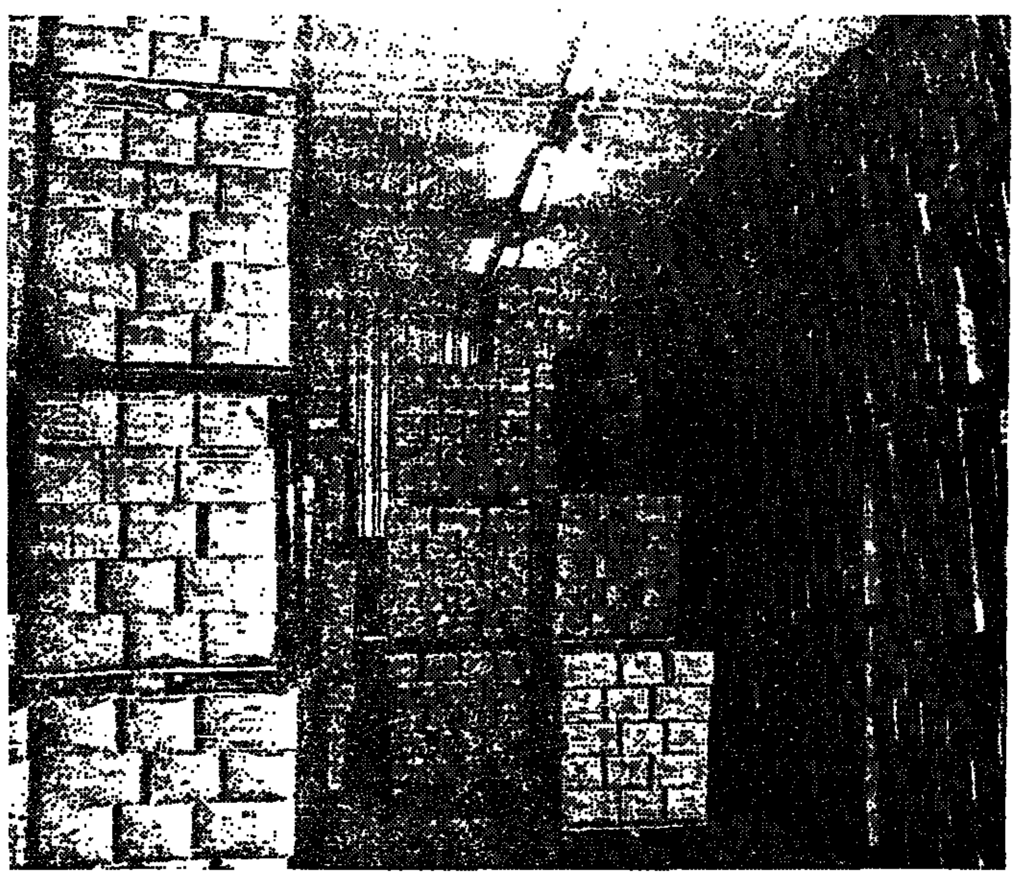
Certainly the accord was meant to be much more than just a deal to write off the accumulated debts of the past. Besides a substantial increase in resources, it involved the setting of new budget management disciplines, the fixing of a ceiling on previously runaway farm spending and automatic price "stabilisers" to keep inside the new limit, the introduction of a fairer if more complex system of budget contributions from the member states, and a commitment to an 80 per cent increase in regional and social projects to Ecu13bn by 1992.

Calls from the poorer, mostly Mediterranean countries in the Community, for significantly higher "structural" spending of this kind – seen in Brussels as a quid pro quo for the less quantifiable but distinctly tangible benefits which Northern states will reap from the internal market – proved one of the hardest issues to resolve at the February Summit. Much diplomatic water has since passed under the bridge as the detailed application of the new rules have been worked out but nobody predicts that dampening down demand for these funds is likely to be the major difficulty.

"They have more money than they know what to do with," one Community diplomat observed recently. "There may be some political pressures for further expanding this area of the budget but the main challenge is going to be persuading member states to get their acts together and come up with the sort of worthy projects the Commission is seeking."

The major budget question mark, as before, hangs over agriculture. Things look particularly rosy at the moment since the US drought has driven world food prices closer to Community levels, reduced EC food export subsidies, and left the 1988 and (provisional) 1989 budgets with surprise "bonuses" of Ecu1bn and Ecu1.45bn respectively. Against some expectations at the time of the Summit accord, the Community has had no difficulty this year in observing the Ecu27.5bn "guideline" (or ceiling) for total farm spending.

As anyone with even a short memory in Brussels knows only too well, the vagaries of currencies and world markets can send prices spiralling down just as quickly as they have shot up. It is only if (or when) such a turnaround takes place that the key "stabiliser" reforms and other emergency management techniques will be fully put to the test.



Butter mountains in 1984: today, budget alarm bells should ring when surpluses start to build up

At this stage the new mechanisms are at least baring their teeth. High production levels in the oilseeds sector have automatically triggered price cuts of 10 per cent, 19.8 per cent and 7.65 per cent for soya, sunflower seed and rapeseed respectively, which has helping bring the original spending targets for these sectors back into line.

Early indications suggest that cereal producers will also have to accept some automatic price restraint (in the 1989/90 season) but the more restrictive application of this stabiliser means that a record harvest could at some time in the future blow an embarrassing hole in the EC budget. Under pressure from France and West Germany heads of government agreed to restrict price cuts to a maximum 3 per cent in any one year.

The successful, if sometimes brutal application of milk quotas has staunched the flow of money to the dairy sector but experts in Brussels acknowledge that problems remain in curtailing the costs of the beef regime (where stocks have rocketed this year), and in the wine and sheepmeat sectors.

Two important management changes since February, meanwhile, deserve mention. One is the new rapid stock depreciation policy – 75 per cent on entry into Community stores, the remaining 25 per cent by the end of the year – which is designed to set the budget alarm bells ringing when surpluses start to build up. In the past the cost of guaranteed food purchases was not reflecteds in the budget until the stock was sold by the member state's intervention board.

"By the 1989 budget we will have depreciated all the old stocks. There will no longer be a burden of the past," explains Mr Uffe Toudal Pedersen, a senior adviser to the Danish Budget Commissioner Mr Henning Christophersen.

The other key management innovation is known as the monthly "early warning system". This involves the Commission tracking spending in each sector against a "profile" based on the three previous years, sending their subsequent reports to the member states, and having to justify the transfer of any surplus credits to budget "chapters" which have run into deficit. "The system is now much more transparent," explains an official involved in the procedure. "Both the Commission and the Council of Ministers have to be much more responsible for their actions."

The final "threat" to budget discipline arguably lies with the European Parliament – the other arm of the budgetary authorities and an institution which is most interested in the amounts in the budget earmarked for "other policies" (notably environment, transport and food aid).

The clumsily named Inter Institutional Agreement (which was part of the package finally agreed in June) was designed to keep the peace and so far seems to be working well. But as 1992 approaches many in Brussels fear that new strains will start to show.

Tim Dickson

PUBLIC PROCUREMENT

Not enough staff to ensure fair play

IT IS a rule of life that the biggest rewards are often the hardest to achieve. To the European Commission's frustration, the same is true of its efforts to introduce free competition into the conservative and protectionist domain of EC public procurement.

It is now 17 years since the Brussels authorities issued their first directives to ensure Community-wide advertising of public works contracts, extended 10 years ago to cover contracts for supplies of equipment. And yet even today, the rules are being widely ignored. According to the Commission, the average EC country awards a mere two per cent of construction and supply contracts to companies from other Community countries. Public procurement agencies still prefer to prop up their national champions or defend local industries rather than buy cheaper over the border.

Brussels is now reviving the campaign for more efficient procurement as a big priority of its single market plan. The main thrust is to tighten existing rules and to extend liberalisation rules to sensitive sectors which have so far been excluded, water, telecommunications, energy and transport. Brussels launched proposals for those four sectors last June, now being discussed by national officials of member states in preparation for adoption by Ministers and the European Parliament.

One trick is to sub-divide contracts between different agencies

Member states meanwhile have adopted tougher rules for public works procurement, to take effect within the next year depending on how fast they get through the Parliament, and equipment purchasing, due to come into force in January. Brussels plans some time in the future to turn its liberalising sights to public purchasing of defence equipment – but that will be an even longer and more sensitive battle.

Public purchasing of all kinds from school pencils to power stations reached Ecu550bn (£370bn) or 15 per cent of the EC's gross domestic product last year. They could have saved Ecu21.5bn of that total if public procurement were fully liberalised, according to a recent Commission study of the costs of market barriers. The big problem is that the sectors concerned will have to undergo equally enormous shake-outs on the way.

In themselves, the latest rules are not too onerous, even if the consequences of observing them threaten to be. Public works contracts worth more than Ecu5bn and equipment supply contracts worth more than Ecu200.00 have to be advertised in the Community's Official Journal. They are also distributed to paying subscribers of an EC computer data bank, Tenders Electronic Daily (Ted). Public bodies must also publish advance notice of their general purchasing plans at the start of their financial years. The subsequent detailed advertisements must indicate whether the tendering will be open or restricted and why. The Commission and any jilted bidders also have the power to demand written explanations for any restrictions and ultimately fight the decision in court. The same general rules would apply to the four "excluded" sectors, once member states have adopted the new proposals for them.

Tactics for avoiding those rules vary between countries. One trick is to sub-divide contracts between different agencies so their value falls below the EC threshold. West Germany does this by passing contracts down through its Laender, regional governments, to an estimate 20,000 different buying agencies. That compares with 700 in the more centralised UK.

Another trick is to insist on the use of national product standards, though the European Court of Justice recently ruled that an Irish water authority had no right to do that. Other tactics include restricted tendering lists and extra-fast procedures that foreign bidders cannot hope to keep up with.

Regional authorities in poorer areas like Italy's Mezzogiorno have reasons, accepted as genuine by most of their EC partners, for discriminating in favour of local suppliers to support local industry. The new directives tightening up the existing rules on works and supplies allow these so-called "regional preferences" to continue, but forbid the introduction of new ones. The Commission is now in the process of drawing up a list of exactly which regional preferences it will allow.

But the Commission's problem is that however firm its rules on open procurement, it does not have enough staff to enforce fair play. Its only other recourse, a legal action in the European Court, is not very effective because the contract will be in the distant past by the time the court produces its ruling.

The impact of restrictive public purchasing policies can be seen in the extraordinary fragmentation of industries where Government buying power or influence – as in state-owned companies – is strongest. Take the Ecu7bn market for telephone exchanges, where there are 11 EC suppliers as against four American suppliers in the much larger US market. The existence of seven different digital technologies in Europe, five of them publicly supported, means the industry is denied important economies of scale. It is no accident that telephone lines in the EC cost between 2.5 and 5 times more than in the US, according to Commission estimates. The telephone exchange industry is already undergoing a big shake-out, the upshot of which should leave it with only two main producers and produce major price reductions, forecasts the Commission.

Equally ready for a revolution is the power generation industry, where restrictive public purchasing has allowed the continued survival of 12 European boilermaking companies working on average at amere 20 per cent of capacity and 10 producers of turbine generators, working at a slightly healthier but still uncompetitive 60 per cent of output potential.

An even stranger case is the construction and public works industry, representing nearly 30 per cent of total public purchasing. Here restrictive European procurement has succeeded in keeping out competition from other EC countries, where the sector is dominated by small and medium sized companies, but has allowed big US construction companies to flourish.

US success is a sharp reminder of the sheer power of external competition

Two years ago, the 12 EC Governments spent Ecu150bn on construction projects. Of that total, Commission estimates show that a paltry Ecu600m went to Community companies working in other member states, while US construction firms did Ecu6bn – ten times as much – business in the EC that year. It presents the Community with an interesting problem at a time when it is undergoing the difficult process of deciding to what extent it wants to extend free competition in general to non-European countries operating in the EC. The US success in getting public construction contracts in the Community is a sharp reminder of the sheer power of external competition waiting to take advantage of the Commission's campaign to liberalise public procurement.

William Dawkins

Lagging behind US and Japan

On the following pages Financial Times specialist writers look at the future in Europe for their sectors. Terry Dodsworth, industrial editor, begins here with an examination of electronics and telecommunications

IT WOULD be hard to find any sector where the arguments over Europe's industrial future are more clearly focused than the broad field of electronics and telecommunications.

Manufacturers of electronics-based equipment are widely regarded today as the standard bearers for industry in general, the pioneers who are forging into fresh markets and fashioning new growth areas for the economy.

Yet over the past decade or so it is these sorts of producers who have met some of the most severe setbacks suffered by any European industrial group. Indeed, the notion that a form of industrial sclerosis has been spreading across the region has owed a great deal to the weaknesses of the electronics sector.

Well before the 1992 market integration idea built up a head of steam, European governments and industrialists seized on the concept of a pan-European effort to tackle the problems. This has led to a series of initiatives, extending from ambitious Government-aided research programmes such as Esprit, to tentative efforts by a number of manufacturers to break out of their national markets and establish genuine European companies.

● In microelectronics, Philips of the Netherlands and Siemens, the West German company, have forged a collaborative research project into advanced memory chip design and manufacturing, and are now pushing ahead with proposals for a second programme. Meanwhile, SGS of Italy has merged with the chip activities of Thomson of France, while Plessey in the UK has absorbed Ferranti's semiconductor division.

● The computer industry has continued to fight a rearguard action against the US-based giants. Bull in France has made its bid for international status by becoming the senior partner in the Honeywell-Bull-NEC consortium, while Olivetti has moved into Germany with the takeover of Triumph Adler, and into the UK with the absorption of Acorn.

● Telecommunications producers have begun to move more aggressively into each others' markets, partly due to opportunities created by deregulation, and partly because of the need for larger markets to help fund the escalating costs of research. Two events stand out in this process – the takeover of SEL in Germany by Alcatel of France; and Ericsson's thrust into France. A large number of cross-frontier arrangements are now flowing from the development of mobile communications.

● Rationalisation and pruning has continued in the consumer electronics industry. Thomson of France has acquired Thorn's television interests in the UK, helping it become one of the three leading manufacturers in the world, while Nokia of Finland has absorbed SEL's television interests in Germany. In many other areas, Philips and Thomson are the only significant European players left, under constant siege from the Japanese.

● In research and development, the European Commission has virtually completed the first Esprit collaborative cross frontier programme, and is now sifting ideas for the second. The next stage is likely to move several of these research activities closer to the process of market exploitation.

Philips research and development centre, Eindhoven

Europe's 1992 plans should give further impetus to these moves towards market integration and rationalisation. More open government procurement policies, for example, are important for computer and software companies, which sell a significant proportion of their equipment to government agencies. Directives and nudges from Brussels are also helping the telecommunications industry evolve away from the vertical national structures of ordering and manufacturing towards a more horizontally-organised European market.

Nevertheless, the principal driving force behind these changes is the economics of high technology markets. In a large number of the electronics-based industries, the most successful companies are organised to exploit new products swiftly throughout the industrialised world – indeed, their margins depend on being able to do just this.

All the world's leading computer, semiconductor and consumer electronics companies depend on being able to offset their costs against this broad market activity; the same is becoming increasingly true of telecommunications, software, and even defence electronics, inevitably the most nationally-structured sector of all.

The problems of the European electronics industry largely stem from the fact that many of the region's top companies lag behind the Americans and the Japanese in their international organisation. Even within Europe itself, they have not learned the trick of cross-frontier marketing and organisation.

One compelling example of this is in computers, where American companies are organised to tackle the European market as a whole, while the leading Europeans generate their revenues overwhelmingly from their own national base. Relative newcomers from the US, such as Tandem or Sun, copy IBM in this approach, while European companies such as Siemens and ICL are still struggling.

It is tempting to conclude that in some of these areas Europe is so far behind that it can never catch up. There is certainly no indication as yet that the Government-backed policies of the last few years have turned the tide. The most recent figures from the Benn Electronics market research group show, for example, that the European trade deficit in high technology products amounted to $13.7bn in 1986; in the computer sector alone, the deficit came to $7.6bn.

On the other hand, it can be argued that in the long sweep of industrial development the moves towards European integration have only just begun. The publicity surrounding the EC's initiatives has concentrated minds; and programmes like Esprit have brought Europeans together in a way that would have seemed unthinkable only five years ago. These moves are providing the lubricant that could make it easier to achieve the economic objectives of European industry, while at the same time helping the process of technology diffusion that has been so stilted in Europe in the past.

MOTOR VEHICLES

The battle is about to begin in earnest

THE Western European automotive industry is presently cushioned by record sales and production and surging profits, but formidable structural challenges are looming for the 1990s.

European vehicle makers face redoubled competition from Japanese groups intent on establishing a manufacturing presence in Western Europe to supplement direct exports, as well as new pressures from a rejuvenated US industry, the fortunes of which are being transformed by the dramatic shift in currency values of the last two years and by substantial productivity gains and heavy investment, which have helped to turn the US into the low-cost producer in the developed world.

"The currency realignment which began in early 1985 and accelerated during 1986 and 1987 has drastically altered the competitive environment for the automotive industry," says Mr Albert Warner, director of the motor vehicle division of the US Department of Commerce. "The Japanese manufacturing cost advantage has apparently been eliminated and, at current rates, it may be cheaper to manufacture a car in the US than in Japan."

The Japanese auto makers are already well advanced in establishing a formidable production base in North America, and the Japanese transplants – Honda is now the fourth largest car producer in the US – and the traditional domestic US producers are increasingly focusing on Europe as a target for exports in the 1990s. The process is already beginning but will gather pace with the moves towards a single market.

According to Mr Daniel Jones, European director, and Mr James Womack, research director of the International Motor Vehicle Programme, a four-year, 15-country study of the world motor vehicle industry co-ordinated by the Massachusetts Institute of Technology, there is a cause for concern about the competitiveness of the European motor industry in the 1990s.

"A worldwide survey of assembly plant performance indicates that the average Japanese plant in Japan can produce a car of comparable complexity and specification with half the human effort (both shop floor and managerial) needed in European-owned plants in Europe. Even the Americans manage to do much better on average and the best American-owned plants in North America are comparable in productivity to the average Japanese plant in Japan."

In the last 10 years the motor industry has become increasingly global in scope and character. Broad product tastes in terms of size, shape and mechanical specification are converging and the world's vehicle makers are moving increasingly to global sourcing both of products and components. At the same time the relationship between the vehicle assemblers (OEMs) and the components suppliers is changing radically.

The OEMs are seeking increasingly to single source components from suppliers who can shoulder a growing part of the costs burden of developing not just components but sub-systems and which can supply worldwide and meet the exacting demands of just-in-time deliveries.

With new capacity being built, not least by the Japanese in both North America and West Europe, and by the rapidly emerging Korean car producers, the threat of substantial overcapacity in the 1990s is looming large, and Mr Harold Poling, vice chairman and chief operating officer of Ford, warns that "there will be manufacturers today that will not be able to survive to the end of the century – if that long – in their present sizes and structures."

These are some of the global imperatives facing a European auto industry which itself still operates in a highly-fragmented domestic market. Substantial benefits are undoubtedly to be derived from the creation of a unified single market in the European Community, but there is still widespread confusion among EC member states about how best to ensure that these benefits accrue to European vehicle producers rather than to their foreign competitors.

The battle is about to begin in earnest and it is still far from clear how the present disharmony over a future external trade policy for the European motor industry will be resolved.

Most crucially the EC must decide a common stance towards Japanese imports and the removal or easing of the present bilateral restraints which severely restrict Japanese penetration in particular of the Italian, French and Spanish vehicle markets. Linked to this issue is the vexed question of whether Japanese transplant operations in Europe should be subject to minimum local content regulations – the UK and France are already at loggerheads on this issue over the right of free circulation in EC markets for Nissan's UK-built cars. At the same time it is far from clear what investment regime will be implemented by Brussels to control the granting of state subsidies to attract the expected surge of Japanese inward investment.

The external trade issue bulks large in the general challenge posed to the motor industry by the move towards a single market, but there are a host of internal questions that arise from operating a Europe-wide business in a market distorted by national legislation and regulated by a multitude of taxation systems and protectionist measures.

A report from DRI Europe, the London-based automotive analysts, suggests that much of the major restructuring that is promised by the advocates of the 1992 reforms, would occur without the creation of the single market. "The catalyst for this change is global not European," says DRI.

None the less a study funded by the European Commission as part of its investigation of the cost of a fragmented European market – which admittedly ignored the external trade dimension – claimed earlier this year that the EC car industry had the potential for making savings of around Ecu5.54bn (£3.7bn) if the single market was created with major cost savings coming both from the restructuring of marketing and distribution as well as from the rationalisation of manufacturing.

The so-called Ludwigsen Report, a sectoral analysis of the car industry compiled as part of the wide-ranging Cecchini EC study on the economic benefits of the single market, examines the optimal gains that could be made from the removal of internal Community barriers.

It says that the major technical, fiscal and physical barriers to the creation of a single European car market include:

●Lack of a single EC-wide type approval or a means of mutual recognition of national approvals, requiring costly and time-consuming duplication of cars and tests;

●Exhaust emissions standards which are not definitively fixed at a common level with agreed dates for implementation;

●Unique national vehicle equipment requirements such as side repeater flasher lights in Italy, reclining driver's seat in West Germany, dim-dip lighting in the UK, yellow headlamp bulbs in France and unique rear reflectors in West Germany;

●Taxation levels on car sales that differ in virtually all EC member states ranging from 12 per cent in Luxembourg to 200 per cent in Denmark;

●Inconsistent application of standards for imposition of annual use taxes on cars and differing tax levels;

●Distortion of competitive conditions by excessive aid to "national champion" producers in the form of grants, loans equity injections and debt write-offs;

●Border crossing documentary and inspection requirements, with attendant delays having consequences in the loss of time and money in the shipping of components and vehicles.

In a break-down of the savings that could come from the removal of such barriers the Ludwigsen report details costs and savings in design and engineering, manufacturing, tooling, warranty, marketing, selling, distribution and administration.

Kevin Done

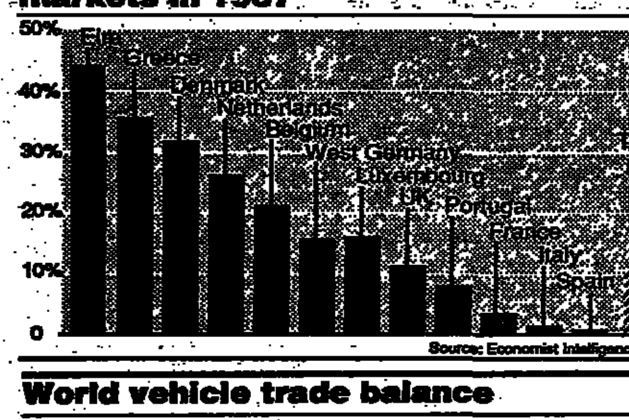
Japanese penetration of EC passenger car markets, 1987

	Total units	Japanese sales	%	9.53% share[1]	Variance
Republic of Ireland	54,219	23,781	43.86	5,157	-18,614
Greece	50,501	17,720	35.09	4,813	-12,907
Denmark	124,097	40,443	32.59	11,826	-28,617
Netherlands	555,743	143,968	25.91	52,962	-91,006
Belgium	406,239	83,541	20.56	38,715	-44,826
West Germany	2,915,654	441,433	15.14	277,862	-163,571
Luxembourg	29,814	4,466	14.98	2,841	-1,625
UK	2,013,693	225,372	11.19	191,905	-33,467
Portugal	129,243	9,180	7.10	12,317	3,137
France	2,105,180	63,100	3.00	200,624	137,524
Italy	1,976,541	13,750	0.70	188,364	174,614
Spain	852,323	2,196	0.26	81,226	79,030
Total EC	11,213,247	1,068,950	9.53	1,068,622	

1 Japanese market shares vary between 44% in the Republic of Ireland and 0.3% in Spain, with an EC average of 9.53%

Source: Europe's Motor Industry: 1992 and beyond, The Economist Intelligence Unit

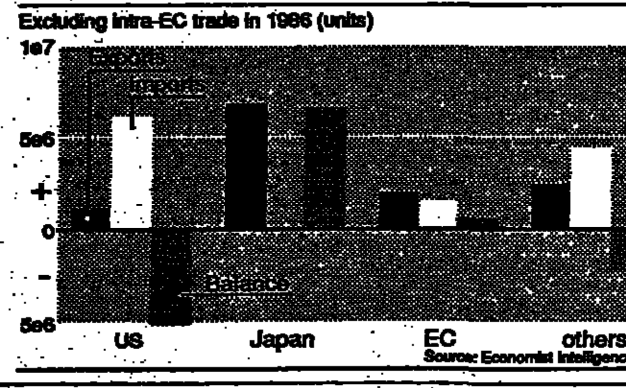
Japanese share of EC passenger car markets in 1987



Source: Economist Intelligence Unit

World vehicle trade balance

Excluding intra-EC trade in 1986 (units)



Source: Economist Intelligence Unit

TRANSPORT

Cabotage unresolved

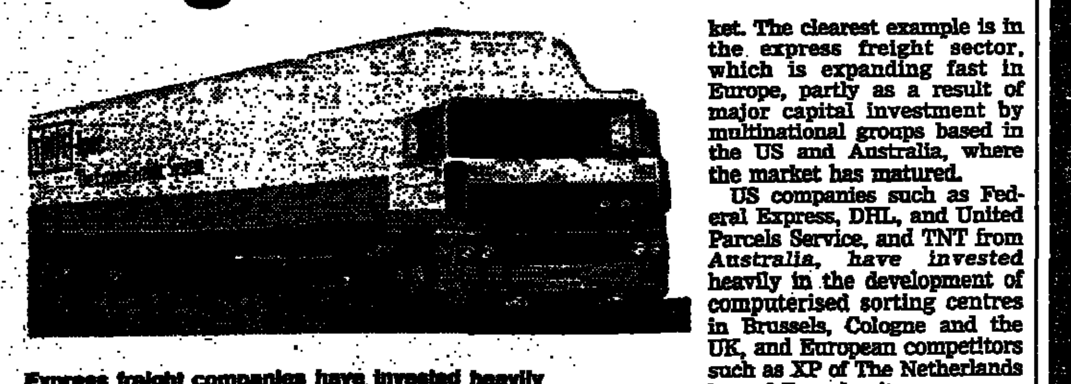
MR FRED SMITH, president of the US parcels carrier Federal Express, warned recently that Europe risks being consigned "to the dustbins of history" unless bureaucratic obstacles to trade are swiftly removed.

Few other transport professionals would put it in quite such apocalyptic terms. But there is no doubt that Mr Smith was reflecting a widespread feeling that Europe is taking far too long to get its act together.

The development of the Community's transport policy over the last 30 years has displayed elements of farce which would not have disgraced London's West End theatres.

But while the Common Transport Policy which the Treaty of Rome stated should be in place by 1970 remains stymied by national interests, the approach of the Single European Market has given a new impetus to integration.

A deal has been thrashed out, for instance, on the phased abolition of quotas for commercial vehicle trips across national boundaries, and the Single Administrative Document in use throughout the Community since January has greatly simplified customs procedures.



Express freight companies have invested heavily

Nevertheless, around 300 areas of disagreement remain to be ironed out before 1992, including serious issues of principle such as taxation as well as technical problems such as vehicle weights and dimensions.

The most serious unresolved problem is the development of a regime acceptable to all member states for cabotage – the carriage of goods wholly within one country by an operator registered in another.

The Commission has proposed two alternative forms of limited cabotage, both of which are regarded as insufficiently liberal by the UK and Netherlands, where transport is already deregulated, and too radical by West Germany and France, where it remains strictly regulated.

Meanwhile, the existing restrictions continue to cause serious problems both for manufacturing companies with plants in more than one member state, and for transport companies seeking to expand across national boundaries.

However, enormous pressure for change is welling up among transport companies, which are increasingly seeking to treat the whole of the Community as a single integrated market. The clearest example is in the express freight sector, which is expanding fast in Europe, partly as a result of major capital investment by multinational groups based in the US and Australia, where the market has matured.

US companies such as Federal Express, DHL, and United Parcels Service, and TNT from Australia, have invested heavily in the development of computerised sorting centres in Brussels, Cologne and the UK, and European competitors such as XP of The Netherlands have followed suit.

The existence of these hubs, fed nightly by road and air, is creating a new distribution system on a European scale which allows companies to centralise stock holding and reduce and dispose of local delivery fleets.

This, in turn, is putting pressure on more conventional freight forwarders to develop pan-European warehousing and distribution systems. LEP International of the UK, for example, is seeking to acquire transport companies employing up to 600 people in West Germany, France, Spain, Italy and the Benelux countries.

Kevin Brown

TOWARDS A SINGLE EUROPE 12

Barry Riley, investment editor, on Europe's securities markets

London may face challenge

LONDON WAS the first off the mark amongst Europe's financial capitals in seeking to establish the dominant securities markets. Already in the 1970s it built the unrivalled market in international debt, the Eurobond market, thanks to the welcome afforded to foreign financial institutions. And in the 1980s, following the ending of UK exchange controls, it set out to internationalise its stock market too.

That led to the creation of SEAQ International, the screen-based quotation system for international equities, and then to the celebrated "Big Bang" restructuring of the domestic market October 1987. The Stock Exchange aggressively changed its name to the International Stock Exchange. Recently London trading in foreign equities reported to the ISE has been running at some £350m a day, about half of it in EC stocks.

But although London has gained a head start, other centres are still in the race. Paris is the most notable example. The French capital has engaged in a process of deregulation which in some respects has been even more remarkable than London's. It has certainly shown a clean pair of heels to Frankfurt, which has suffered severely from the creakiness of the German regulatory system.

Regional rivalries have compounded the German problems, as Frankfurt has fought to develop a unified market. Meantime the imposition of withholding tax by the Government threatens to drive much D-Mark bond business away from Germany. And tardiness in passing futures market legislation has given Liffe in London a year-long window in which to develop business in its new German Government bond contract before the proposed German exchange, the DTB, can open late next year.

Smaller markets all around the EC are also urgently modernising. Amsterdam has just opened its remodelled trading floor, while dramatic changes are planned for the old-fashioned Brussels stock market, with banks and other companies being progressively allowed into what has been a stockbrokers' monopoly.

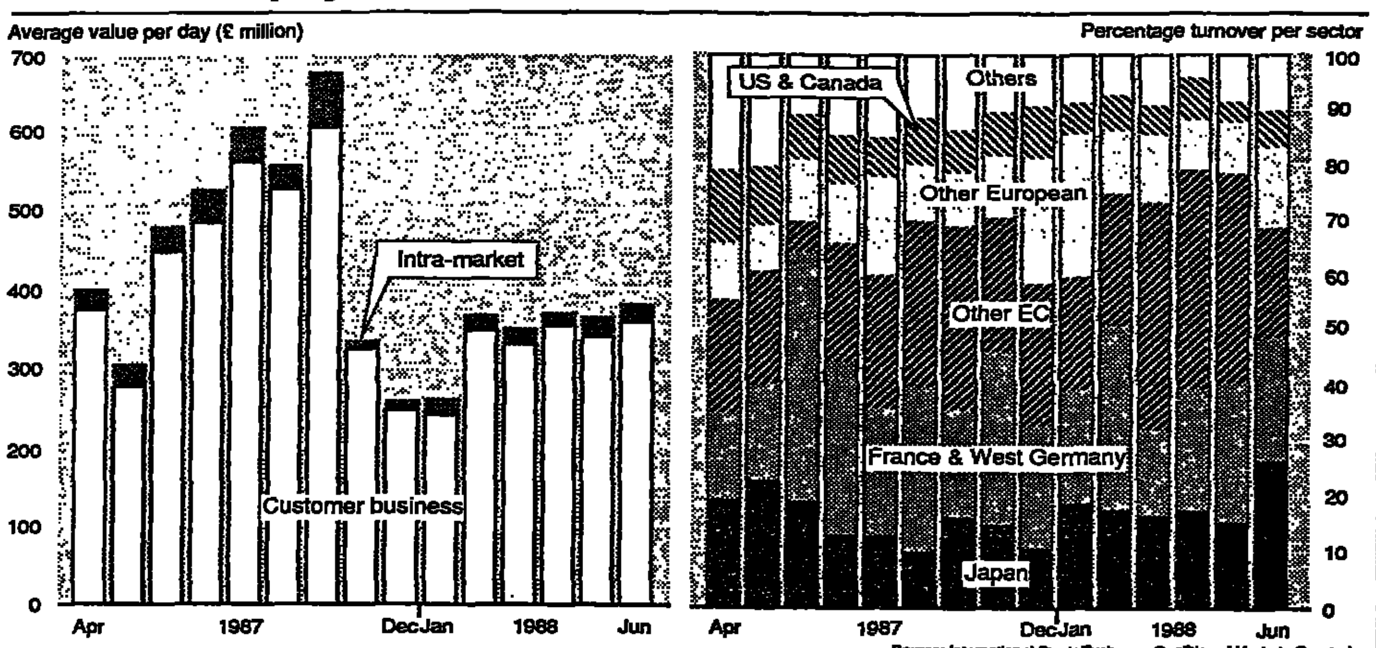
All this is putting considerable pressure on EC governments to harmonise their securities market tax regimes in areas such as withholding taxes and transaction taxes. At present London is profiting considerably from high stamp duties in countries such as Germany.

But London will not have it all its own way in the future. Following the implementation of the Financial Services Act, London securities firms are now groaning under the weight of much tougher regulation than they have been accustomed to in the past. Meanwhile the emphasis in the draft EC Financial Services Directive on reciprocity in relations with non-EC countries is seen by some as an attempt to limit London's wider global role and, by weakening it, render it more vulnerable to a challenge by Paris for leadership of the EC securities markets.

Yet in an age of electronic markets it is not clear that geographical location will have much relevance in future. Post-1992 there will be no real logic in having national securities markets, all with their peculiar local customs and settlement arrangements. Rather, national centres will feed into an integrated whole.

Nevertheless financial communities like to huddle together, and the City of London fears that it may lose out from the antipathy of the British Government towards European monetary union. The way may be left clear for Frankfurt to accommodate a European Community central bank. London would then be left to fight the force of financial gravity which draws activity towards the centre.

International equity market



Source: International Stock Exchange Quality of Markets Quarterly

David Lascelles looks at EC proposals for banking

Home country control is the key

AS ONE of the most highly-regulated industries in the EC, banking stands to gain – or lose – more than most in the integrated market. Because of this, the EC's proposals have sent strong tremors through the banking community, with effects that will take some time to work through.

The main challenge facing Brussels as it formulates its banking policy is to create a regulatory regime that takes account of the vastly different banking practices in member states but is, at the same time, not excessively burdensome.

The result is a set of directives built on the concept of a single banking licence with home country control. Once authorised in a member state, a bank will be able to open branches and conduct any business permitted by its home regulator anywhere in the Community.

This approach, it is hoped, will force countries which cramp bankers' styles too much to ease up, or risk driving banking business out to more congenial environments. However, a common set of supervisory rules will ensure that member states do not engage in competitive deregulation.

In some respects the prospect of a single market is irrelevant to bankers. Much of their business, such as the foreign exchange markets and international lending, already knows no borders. And the British Bankers Association, which represents the most internationally-minded banking community in the EC, has said it will do no more than remove "irritants".

But at a less rarified level, the directives have already had a major impact. Every single bank in the EC has embarked on a study of its strategic options in 1992, and some results are already visible.

Broadly, the view in banking is that even if 1992 does no more than lower technical obstacles to cross-border banking, the mere fact of it will heighten awareness of the possibilities presented by a single market of 320m people. Bankers are therefore studying means by which they can expand into new markets – and protect their own against invaders.

There are particular problems attached to cross-border expansion for banks: it is hard for them to break into foreign markets because of the highly personalised nature of banking, which makes the most obvious route – opening lots of branches on foreign street corners – impractical. Hence the view that expansion will come through acquisition, joint ventures or associations. The choice of routes will, in turn, be dictated mainly by the size of a bank.

Large banks like Deutsche Bank and Barclays, for example, are expected to build on their existing presence in EC markets, or grow through acquisition. NatWest, the largest UK clearing bank, has said it wants joint ventures with partners in other states who can bring local management expertise and access.

Smaller banks are seeking alliances with each other: Société Générale of Belgium is teaming up with Amro of the Netherlands, and Royal Bank of Scotland has agreed a far-reaching cross ownership and joint marketing deal with Banco Santander of Spain.

Another approach is represented by the decision of the French Savings Bank Association to seek co-operation agreements with similar organisations in other states.

But the impact of change is likely to vary strongly from one country to another. Markets like the UK and Spain which are viewed as quite attractive and accessible may become tougher battlegrounds than, say, Germany or Italy where entry is more complicated.

Because of this, it is widely doubted that any bank can at this stage aspire to become the First National Bank of Europe, though the building blocks of such an institution may well materialise over the coming years.

RETAIL FINANCIAL SERVICES

Cards advance across frontiers

FEW AREAS of business life look more stubbornly national than retail banking. Each country's banking practices have deep roots going back to the 19th century and have grown up insulated from one another. Even new arrivals on the retail banking scene such as credit cards vary greatly: France's credit cards are not quite the same animals as British ones.

However the Community's decision to create a single market for financial services has acted as a catalyst and national frontiers in some sectors are starting to break down rapidly, while almost all European banks of any size are starting to think about their strategy for 1992. Some have already started to strike alliances to enable them to penetrate new markets, such as that concluded last month between the Royal Bank of Scotland and Bank Santander.

The Commission's contribution, apart from giving the starting signal, has been to supply a legislative framework through a second banking directive and work on competition and consumer protection being carried out by Directorate General 4.

Building up banking facilities for the growing numbers of executives in the Community who live or work outside their own country is the first step towards a single retail finance market.

But the Commission is not the only force at work in bringing down the national frontiers dividing retail banking markets. Electronic technology has made possible the mass processing of transactions which a generation ago could only be handled locally. And Europeans are much richer, thanks to 40 years without a major war, making retail banking into a lucrative business which is tempting to outsiders.

The plastic card industry and housing finance have been the first two areas of retail finance in which national barriers have started to tumble, but for different reasons.

Banks are setting up networks of electronic cash dispensing machines which will enable their customers to draw local currency in any European country. If you have a Visa card, for instance, you can use it in 11,096 machines owned by its member banks in the EC.

The banks expect payment via a plastic card in an electronic terminal to replace most paper-based payment systems in the 1990s. Arguments rage about who is to control the networks the terminals will belong to. Germany's banks would like to keep out international networks such as Visa International and American Express, but this would almost certainly run foul of the Commission's rules on competition.

Barclay's bank is already planning cross-frontier credit card operations after 1992. Elsewhere attitudes are changing. Deutsche Bank, which developed the Eurocheque and the Eurocard in a bid to keep American-style plastic out of Germany is now drawing closer to Visa.

"Deutsche Bank may become a member of Visa International some day," says Mr Eckhart van Hooven, Managing Director of Retail Banking at Deutsche Bank

The rift between the banking culture of Germany and northern Europe on one hand and England and France which is visible in the credit card market, is also to be found in the mortgage market.

Four French and three Danish mortgage banks are already in the British market, and the French subsidiary of Midland Bank is the largest foreign player in the French mortgage market.

Britain and France need relatively little freeing up of their mortgage markets. Substantial deregulation is needed in Germany – but it is happening. German mortgage banks have been allowed to operate outside Germany for the first time, while a the three large Danish mortgage banks have set up in Frankfurt.

David Barchard

INSURANCE

Acquisition activity to continue

SCARCELY more than 12 months ago, the idea that the early 1990s would witness the establishment of a single insurance market in the European Community seemed a forlorn hope.

Now, while few expert observers expect the end of 1992 to usher in visibly dramatic changes in the way the industry operates, the prospect that the next decade will see the gradual creation of a pan-European market for many types of risk is very real. It is already helping to shape the planning agenda of leading insurers.

Two events late last year were of key importance.

The first was the successful £457m takeover bid by Paris-based Compagnie du Midi for UK life insurer Equity & Law. Aimed at giving Midi's insurance subsidiary AGP assistance in expanding in life assurance outside France, it was followed, this year, by abortive merger talks between the UK's Royal Insurance and Groupe Victoire of France.

Both developments were symbolic of the corporate restructuring to create pan-European insurance groups which some see as an inevitable consequence of a single market. They came against a background of a rising tide of small or medium-sized acquisitions of Spanish and Italian insurers by larger groups from Germany and Switzerland.

The other key event was the achievement of the EC's Council of Ministers in breaking 10 years of political deadlock that had prevented approval of a directive providing for cross-border freedom of insurance services. Just before Christmas, the Council secured agreement on a directive requiring member companies to open their borders to free trade in non-life insurance for "big risks", meaning policies for companies with more than 500 employees or more than £15m turnover.

Due to take effect in most of the Community in July 1990, it will enable businesses to buy their insurance where they please, instead of being bound by local laws which mostly require them to buy from domestic insurers. Directives providing for similar cross-border trade in "mass risks", such as motor, household insurance and life assurance, are in preparation by the European Commission, though meeting the 1992 deadline for implementation could be a tight squeeze.

Particular problems arise over life assurance, for two reasons: the reluctance of member states to cede away regulatory authority over institutions entrusted with individuals' life savings, and the difficulties of harmonising taxation. In the UK, individuals lost tax relief for life assurance premiums in 1984, but there are no taxes on premiums themselves. In France, there is a 5.15 per cent tax on insurance premiums, but individuals receive tax relief for 25 per cent of what they pay for the savings element of life policies.

Yet one view gaining increasing acceptance is that the crucial factor reshaping European insurance will not be what happens *across* borders, but the deregulation likely *inside* each country in response to consumerism at home and the threat of price competition from abroad.

What seems bound to continue is the trend for mergers and acquisitions, especially in Italy and Spain – though the likelihood is that these will be small or medium-sized, rather than the "mega-bids" forecast by some stock market analysts in the wake of the Equity & Law deal.

There are several reasons why acquisition activity will continue. Relative underdevelopment of southern European insurance markets, in life assurance especially, makes companies there potential targets for acquisition. In turn, the fragmentation of these markets creates room for consolidation in pursuit of economies of scale. And – a point familiar to insurers in the UK – the creation of insurance sales distribution systems in foreign markets from scratch can be a long job, tempting expansion-minded insurers to seek to grow by acquisition rather than organically.

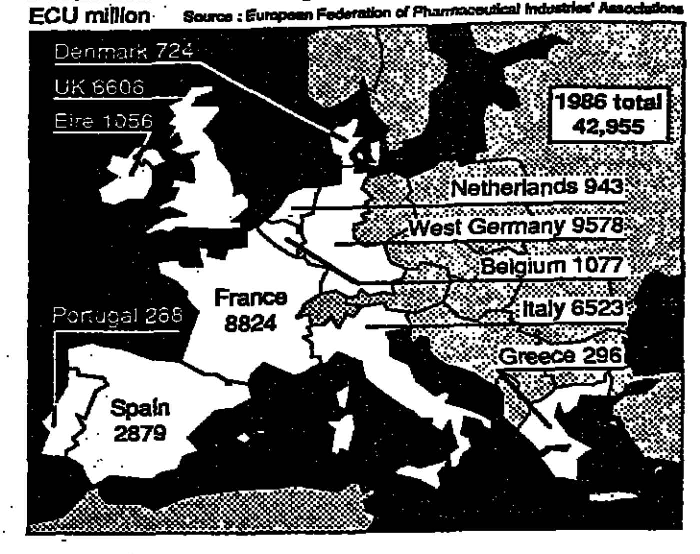
Nick Bunker

PHARMACEUTICALS

Bitter pills to take

Pharmaceutical production

ECU million Source: European Federation of Pharmaceutical Industries' Associations



FINDING ways to dismantle trade barriers in the highly regulated and compartmentalised European pharmaceuticals industry presents massive problems to even the most ardent free-marketeer.

An analysis of the current position in the European drugs business – in which prices vary enormously and free trade very definitely does not exist – points to this state of affairs having at least partly helped the creation of a strong European industry.

The drugs business in the EC, with annual production of about £25bn, is a strong net exporter. It encompasses several big and successful healthcare companies such as Glaxo and Beecham of Britain, and Hoechst and Bayer of West Germany. Pharmaceutical sales within the EC, running at about £18bn a year, are largely paid for by government health agencies.

These bodies have wide powers not only in setting prices but in assessing medications before they go on sale to ensure they are safe and work as advertised. The complex trials required for the assessment process inevitably cause problems for the healthcare companies, driving up research costs and causing lengthy delays before a product appears on the market.

In controlling pharmaceutical prices, all the public health organisations have the goal of keeping publicly paid-for drug bills as low as possible. At the same time many try, for reasons bound up with national industrial strategies, to stimulate a healthy domestic pharmaceutical business – which means devising techniques to favour local companies when setting prices. In countries like Britain which operate this latter policy, the technique boils down to giving incentives to companies to set up local bases to do the expensive research and development on which a vigorous drug industry depends.

This is justified on the basis of a kind of unwritten compact between state and industry. The compact is to the effect that government, due to public health and social reasons, consciously adds to the industry's expenditure by insisting on the lengthy testing stages in a drug's development. In return, the state purchasing agency deliberately underwrites at least some of these extra costs by letting companies, so long as they have local production bases, charge extra for their medicines.

As part of the agreement, the health agency promises to buy virtually all its medicines from the local companies, even when it would be possible to import them at lower prices. This policy helps to give a boost to the indigenous drug industry which, on the basis of its strong home market, can invariably be a strong exporter and help the country's balance of payments.

This situation has indeed come about both in Britain and West Germany, another country where drug prices are high. At the other extreme, in countries like Greece, Portugal and Italy which have generally low drug prices, the government is keen to minimise healthcare costs and is not too anxious about promoting its domestic industry.

As a result of these different policy ideals, prices for pharmaceuticals vary widely throughout the Continent. Thus in Germany, the nation with the highest drug prices, pharmaceuticals cost roughly twice as much, on average, as in countries like Spain, Portugal and Greece.

In a post-1992 world in which EC trade barriers had melted away, all countries would use the same criteria to set prices, as a result of which the differentials would be greatly reduced. That would mean that overall drug prices would settle down to the level of the lowest common denominator. This might suit the low-price countries, which would, as a result, win out in supplying many of the other nations. But it would not suit the higher-price states, which tend to be the bigger countries with the greatest political clout. It would also certainly not suit the big drug companies which would see much of their indirect financial support melt away.

Setting a low-price drug policy for Europe might well benefit, according to some observers, US and Japanese companies which are rich enough to do their research and development outside the Continent, paid for by higher prevailing drug prices. They would thus be in a good position to come up with better products than their European counterparts and gradually gain strength over them.

From the point of view of industrial strategy, therefore, it is easy to see the pitfalls that lie ahead as the European Commission debates what form of pricing and licensing principles will apply to the post-1992 pharmaceutical industry.

Peter Marsh

HEAVY ENGINEERING

Hard bargaining

EUROPE'S heavy engineering industries are so huge, fragmented and diverse that they encapsulate many of the overall issues and problems manufacturing companies face in the run-up to 1992.

They also reveal some of the hard bargaining between countries over standards and the varying approaches companies are adopting in the market place which will have a bearing on the selection of winners and losers.

Though many slices of mechanical engineering will remain the preserve of thousands of small companies, in those product areas where there are already potentially dominating manufacturers, 1992 is helping to accelerate a general move to larger companies.

A few examples from the various sectors give a clue to the complex issues and relationships which manufacturers are now having to deal with.

Power station engineering is a possible case study of how procurement by government-owned or semi-state controlled authorities might still cut across the general shift towards a more open market. Ask the managers of Asea Brown Boveri (ABB), the Swedish-Swiss power engineering giant, whether the European power station market will open up to suppliers and contractors and they will tell you that they do not know.

Off highway-on highway vehicles, like farm tractors and wheeled construction machinery, reflect another feature – the lengthy special equipment requirements for the West German market. West Germany, together with Austria and Switzerland for certain types of machinery, make little or no distinction between motor cars or, for example a backhoe loader digging machine. If it can be driven on the road, it must meet Germany's road-going safety specifications.

How many of these requirements (which result, for example in manufacturers having to provide extra braking equipment on machines for the German market) will become part of general standards is as yet unclear.

Lift truck making has revealed some of the suspicions and jealousies lying close to the surface. Italy has recently introduced new standards for lift trucks sold in its domestic market. The Italians say they are just catching up before discussions on common standards. Everyone else is suspicious that the Italians, over-dependent on their domestic market, are trying to protect themselves by adding to their own standards as a bargaining ploy.

Heavy engineering is also unearthing many of the questions about how companies and countries should realign themselves and which will be the likely winners.

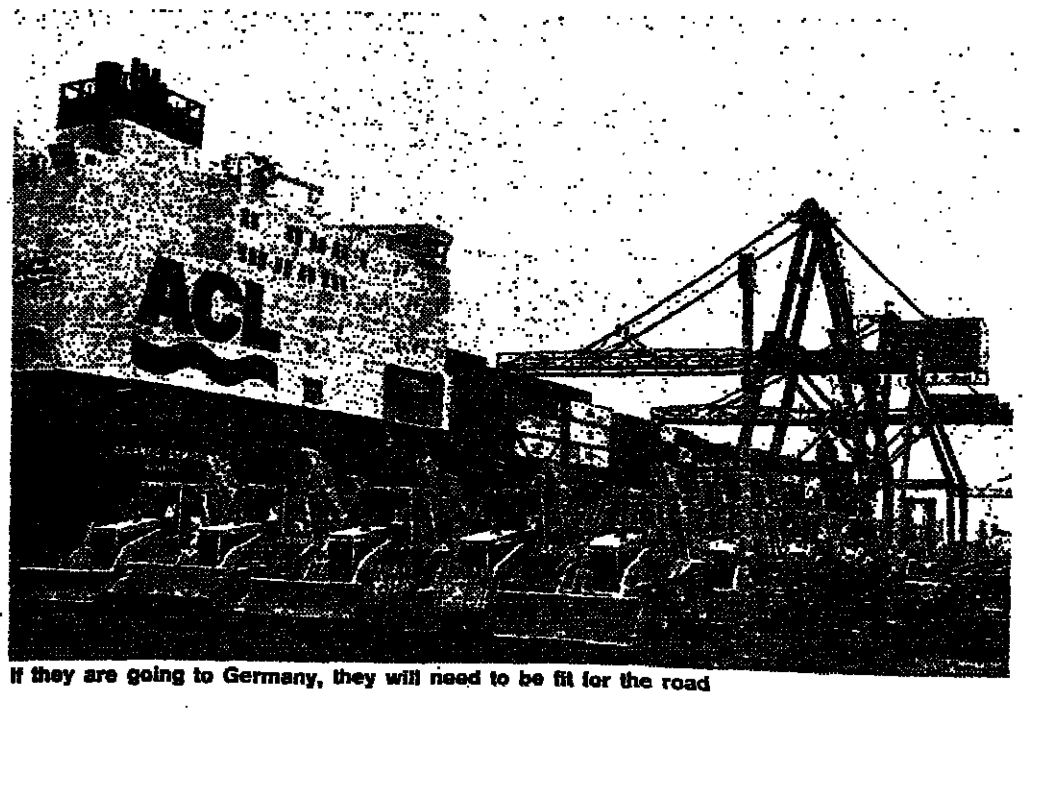
Some of the big US tractor and earthmoving machinery companies believe they could benefit more from 1992 than smaller domestically-orientated producers, because they have the spread of production plants and markets within Europe to take the best cost advantage. This view has still to be proved.

Will the Japanese benefit? Some Japanese manufacturers think they can, and 1992 might encourage more Japanese mechanical engineering assembly operations in Europe. For example, Hitachi Seiki, the machine tool company, is looking to build a plant in Europe and says 1992 is its "goal".

Finally, how much ownership restructuring will there be? The pressure is already on in power engineering to find partners. ABB is so powerful now across Europe and in most of the separate main markets that it will benefit whether the power station market opens up or not.

Other sectors, from lift trucks to escalator making, are seeing a tendency towards mergers with the bigger companies getting bigger. But in others, like machine tools, the fundamental character of small and medium-sized businesses will almost certainly remain.

Nick Garnett



If they are going to Germany, they will need to be fit for the road

ADVERTISING

European spoken here

THE ADVERTISING industry is probably better prepared – physically and mentally – for the European single market than most of the companies it serves. Driven by the demands of a few multinational clients, agencies have long been familiar with the problems of addressing European consumers across national boundaries and have organised to overcome them.

McCann-Erickson London, part of the US-owned group, has, for example, been operating in Europe for 60 years, managing such brands as Esso and Coca-Cola, and now runs a network of offices in every West European country. "In effect, we've been preparing for 1992 since 1927," says Mr Malcolm Miles, managing director.

Ogilvy & Mather had most of its network in place, 31 cities in 19 countries, by 1973. The Saatchi & Saatchi group has more recently established a strong European presence in pursuit of its global marketing ambitions. WPP, with its acquisition of J. Walter Thompson, is in 15 European states. Lopex, in the past six years, has formed its Alliance chain of agencies across 11 countries. "We speak European fluently," says chairman John Castle.

Publicis, the largest communications group in France, recently formed an alliance with Foote Cone & Belding; WCRS has linked with Groupe Belier and SGGMD of France; and the Institute of Practitioners in Advertising is setting up an agency-matching file in response to "constant requests" from other UK and EC agencies for help in forming collaborative arrangements.

The changes the European public is undergoing are the familiar social and demographic ones – fewer teenagers, more old folk, more working women and smaller households

Young & Rubicam years ago redrew the map of Europe charting similarities and differences between national consumers; and Britain's leading market research company, AGB, is currently co-operating with French and German research companies to fill in some of the many gaps that remain in the industry's data on the nature of the European consumer.

The industry, then, already seems well placed to provide its clients not only with mainstream advertising – the prime communication technique – but with the sales promotion, direct marketing and public relations facilities for which demand is expected to follow.

A study by Ogilvy & Mather suggests that 1992 will affect the advertiser more than the advertising, and the audience least of all. The consumer of 1993 will not look very different from the consumer of 1988. Basic national differences of language, climate and culture will remain. Even shopping, eating, working and leisure habits will change only slowly. The changes the European public is undergoing are the familiar social and demographic ones – fewer teenagers, more old folk, more working women and smaller households.

The changes that will affect advertising will come more immediately from the supply side. "1992 will make it easier to ship goods but harder to sell them," says Mr Peter Warren, head of Ogilvy & Mather's European operations.

Marketing will become much more competitive as more medium-sized companies and new brands enter the struggle for a share of the mass single market or the valuable niches to be found within it.

The current trend of aligning major brands with the same agency across Europe is likely to continue.

But if the central concern of the marketer – understanding and satisfying consumers – is to be met, the general view of the advertising industry is that its own product will not itself change greatly.

Many consumer goods manufacturers will, no doubt, be tempted to try to standardise products – and their advertising – to achieve the cost-economies of high-volume runs. But not even the multinationals may be able to design products with equal acceptance from Athens to Copenhagen. And there are still relatively few things that can be sold successfully, like Marlboro cigarettes or Levi's jeans, with the same advertising across the European Community. Most of today's "European brands" in fact differ from country to country in formula, price, positioning, end-uses, competitive climate – and in their advertising.

Advertisers will have to make the choice between truly pan-European campaigns; or a common strategy permitting different local executions; or designing from scratch in each country.

The advertising industry already has a wealth of experience behind it to help in making such decisions and in implementing them.

Philip Rawstorne

Levi's steamy ad. Relatively few things, however, can be sold successfully with the same advertising across Europe

Raymond Snoddy has been watching media developments

A pudding would be nobody's taste

THE Europe-wide market is having a difficult birth in the broadcasting and media industries despite the obvious boost to internationalism from satellite technology and the desire by advertisers to create European brands.

The barriers are high and enduring and cannot be lowered by changing the regulations at customs posts alone. They are formed by language and culture, and the smaller the country and its population the greater the determination there seems to be to oppose "cultural imperialism" from wherever it comes.

A lot of money has already been lost by those who believed that a technology-driven pan-European market is just around the corner.

In January 1987 Mrs Thatcher, the British Prime Minister officially launched Super Channel, the general entertainment satellite channel aimed at the Western European market. Now the rest of Europe, she said at the time, would be able to enjoy the "best of British" television.

In recent weeks Super Channel came to the brink of total collapse and was only rescued at the last minute by a combination of Videomusic, an Italian rock music television station and Mr Richard Branson's Virgin group. Super Channel will survive but based firmly on music and news, two specialist categories better suited, it is believed, than the original concept to the crossing of linguistic and cultural barriers.

Mr Richard Branson, chairman of the Virgin Group says that pan-European advertising is increasing at 50 per cent a year and that in the drive to a single market, he believes European companies will increasingly want to advertise on a Continent-wide basis.

Leading advertising agency D'Arcy Masius Benton & Bowles is sceptical about the growth of pan-European channels but the the importance of the pan-European owner is increasing all the time. A small number of major media owners are creating a web of media networks across Europe and beyond.

Mr Branson: looking to a pan-European trend

"By 1992 we envisage a high concentration of media ownership creating a 'super league' of media companies with which advertising agencies will negotiate Community-wide for some 25 per cent of the clients' media needs," DMB&B forecasts.

There have also been increasing attempts to reach television co-production deals across Europe while somehow avoiding the danger of producing "Europudding" programmes that actually satisfy no one.

Viewers in seven European countries will this month have a chance to see the process in action. Seven public service broadcasters including Channel 4 in the UK, RAI in Italy and Antenne 2 in France have produced a series called Eurocops. Each broadcaster has produced a cop show featuring its own police and their preoccupations, and the initial six will be shown simultaneously in the member countries of the European Co-Production Association.

The real test of how far European television markets are going to be opened to international broadcasting will come in Stockholm at the end of this month when 21 European countries try to agree a Council of Europe convention on trans-frontier broadcasting. The path to Stockholm has not been easy with the UK having to warn it will not sign unless the German-backed system of block advertising is modified so as to be compatible with the British system of television advertising which included "natural breaks" in the middle of programmes.

As the broadcasters continue to fight over issues of cultural imperialism and access by satellite channels to national markets, magazine owners have already begun their trans-national revolution.

German publishers such as Bertelsmann and Bauer have successfully introduced women's magazines such as Prima, Best and Bella to the UK market and UK publishers Reed International have launched French and Italian versions of its magazine Essentials through joint ventures and licence deals.

In each case, however, only the concept has travelled across frontiers – the editorial content is strictly local.

AEROSPACE

Collaboration goes beyond Continent

THE EUROPEAN aerospace industry has no qualms about the approach of the single European market at the end of 1992, for it has been more internationally collaborative than most other industries for many years, reaching back even beyond the Anglo-French Concorde venture which began in the late 1950s.

Most of the major military and civil programmes now under way in Western Europe are based upon international consortia. These primarily include the Anglo-West German-Italian Panavia (airframe) and Turbo-Union (engines) groups building the Tornado multi-role combat aircraft; the new Eurofighter and Eurojet Turbo groups building the European Fighter Aircraft (EFA) and its associated engine, involving the UK, West Germany, Italy and Spain; and in commercial aviation the Airbus Industrie group comprising the UK, West Germany, France and Spain, with associates in The Netherlands and Belgium.

In space, the European Space Agency is an example of a major multi-national organisation competing, at least in some areas such as satellite launcher vehicles, with the massive US effort in this field.

Underpinning these major programmes is a vast labyrinth of other international links, on both airframes, engines and equipment and component companies, of which in airframes probably the most notable is the Anglo-Italian (Westland-Agusta) link on the new EH-101 multi-role helicopter, and in engines the UK-France (Rolls-Royce and Turbomeca) link on the Adour engine for the Jaguar combat aircraft.

Driving this trend towards international collaboration, which is stronger today than it has ever been, is the need not only to spread the burden of ever-rising development costs, but also to widen the eventual markets for the products involved, military and civil.

Both results do not necessarily occur. The Concorde is a classic example of a programme that, whilst technologically one of the most successful ever conducted in world aerospace, was financially disastrous, so much so that neither the UK nor French Governments are anxious to become involved in similar ventures, as the UK's reluctance to fund research into the Hotol (Horizontal take-off and landing spacecraft) has illustrated in recent months.

Also, the paths of such collaborative ventures are not always as smooth as governments would like. There has been considerable criticism in recent months of the managerial structure and financial control of the European Airbus consortium, with efforts now being made by the organisation, at Ministerial request, to improve both situations.

One significant result of the continued rise in costs of new aviation ventures has been for the concept of international collaboration to be extended, not only beyond the confines of Europe, but also beyond even the shores of the US itself, where no longer can any single company bear the burden alone of advanced technological programmes.

Increasingly, transatlantic and even transhemispheric links are being forged. Snecma, the French engine company, is not only working closely with General Electric of the US on the production of the highly-successful CFM-56 commercial aero-engine, but also more recently on the new revolutionary fuel-saving prop-fan engine.

Rolls-Royce, Motoren-und Turbinen-Union and Fiat Aviazione in Europe have linked with Pratt & Whitney of the US and three Japanese aero-engine companies to build the new V-2500 engine for the European A-320 Airbus.

Such links are bound to expand, as costs increase and technological requirements become more complex. Already there is talk in the world aerospace industries of a possible global consortium embracing Britain, France, West Germany, the US and Japan, with possibly also Australia and even China involved, in a "second generation" supersonic airliner to replace Concorde, solely because the cost involved will be massive, and the market so small that everyone will have to be drawn in.

Whether such a venture comes to fruition is anybody's guess today, but if it does, it will not necessarily be the ultimate in international aerospace collaboration, but perhaps only the forerunner of even more ambitious ventures yet to emerge in the next century.

Michael Donne

British Airways' first A-320 Airbus leaves the paint shop at Toulouse

PROFESSIONAL SERVICES

Practising is far from perfect

EXPECT A steady stream – not a flood – of professionals taking advantage of the European Commission's drive to make it easier for people such as lawyers, accountants and engineers to practice outside their home base.

That, at least, is the opinion of many professionals who have already made the leap across national boundaries and even of some of the officials engaged in the initiative itself.

Under present procedures, which are a mishmash of regulations administered by professional associations with some legislative underpinning, many foreign professionals have to operate with one arm tied behind their back. A British lawyer can advise clients in Milan, but not represent them in court; and vice versa. A German accountant can crawl over a client's books in London, but not sign an audit report; and vice versa.

Consider the case of Mr Guido Testa. A partner in Carnelutti, Mr Testa advises commercial British and Italian clients in the Italian law firm's London office. Yet even though Mr Testa has worked in the UK for four years, he is prevented from doing many of the things which are second nature to his British colleagues – such as litigation, conveyancing and the preparation of wills.

The Commission has concentrated on professionals in its drive to encourage freer movement of workers across borders. At first Brussels sought directives to harmonise the qualifications of specific professions: doctors, nurses and architects were among those covered after hideously slow progress.

The Commission now wants a general system for the mutual recognition of professional qualifications. Accountants, engineers, lawyers and a host of other professionals will have their basic qualifications recognised across the EC. When moving to another country, they will need to undertake only a bridging course or a period of professional practice. The aim is to have this new system up and running by early 1991.

Some people are optimistic about the potential. Mr Alastair Paterson, president of Britain's Institution of Civil Engineers, envisages a pan-European approach to engineering shortages. "If there is a shortage of qualified engineers, companies will be able to get people in from other countries who will have a new hallmark of quality."

Others are more sanguine.

At Coopers & Lybrand, the British accountancy firm which has offices in every EC country, the proposed directive is seen more as helping to resolve a few status anomalies. Coopers, which has over 100 foreign accountants working in London, already encourages mobility between its international offices. "If the idea is that there should be a free flow of employees, we're doing that already," says Mr Mike Stillwell, director of the company's international business.

Mr Ulick Bourne, a partner in the Brussels office of Clifford Chance, the large London-based law firm, agrees. The restrictions on British lawyers at the firm's Brussels, Paris, Madrid and Amsterdam offices appearing in court are not a major problem for its commercially-centred business. The company has local lawyers to handle these restricted areas.

There will, of course, always be individual cases of professionals wanting to work away from their home territory, possibly because they are married to a local or in order to serve expatriate communities. In 1986, for instance, 1,916 doctors took advantage of the specific directive on doctors across the EC.

But many people in professional firms which have already ventured abroad see most advantages in the general boost to international business implicit in 1992. That, rather than the fine print of regulations about the professions, is what excites them.

David Thomas

Clifford Chance's Brussels team: the company has local lawyers to handle restricted areas

CONSUMER PRODUCTS

Acquisitions pan out

"C'EST BON pour l'Europe," pronounced France's Antenne 2 last summer.

SEB, the world's leading non-stick frying pan maker had just bought Rowenta, adding toasters and vacuum cleaners to its Tefal and Calor business. No big deal, but it and its reception on the TV news were indicative.

Shortly afterwards Rowenta's stablemate, Hoover, became the property of Maytag, one of the top three white goods manufacturers in the US.

Bigger deal, interesting for l'Europe, and equally indicative of the thoughts and tactics preoccupying the world's consumer industries.

Chicago Pacific, a one-time US railroad company and former owner of Hoover and Rowenta, had tried to make a go of things in the kitchen appliance market with two esteemed names. But its lack of critical mass, its inexperience and global competitive pressures from the likes of Electrolux combined to squeeze it out.

In common with many medium-sized consumer goods companies – across the range from detergents, through foodstuffs to major appliances – it found that life in saturated, slow-to-no-growth markets dominated by giant corporations offered at best a difficult future.

Two years ago, Maytag executives declared themselves content in their safe and powerful position in the $20bn US white goods business, but the currents which had recently drawn arch-rival Whirlpool to link with Philips of the Netherlands, and which have prompted General Electric to cast about for overseas kitchen connections, proved irresistible.

Now, with an international brand and overseas manufacturing bases under its control, Maytag can seek to establish what SEB says its gained from the purchase of Rowenta: *une dimension mondiale*.

Annual sales of the French pan manufacturer will soar by 50 per cent to FFr6bn. But the company sees far greater significance in the fact that 57 per cent of its sales will now come from overseas, compared with 45 per cent last year.

In the present climate few speak against the merits of broader horizons and the attractions of a wider profit base. It is these prospects, rather than immediate, specific market opportunities which are prompting consumer product companies of every type to review their stance on European Community markets at present, in 1992 and far beyond.

These markets are being propelled towards homogeneity by the parallel if unequal forces of international agglomeration, globalisation of markets and, more recently, political will.

Despite the well-rehearsed arguments about national idiosyncracies, the European food industry has attracted exceptional interest, not least because of its fragmentation and the possibilities for breaking down taste barriers once the fiscal and legislative obstacles – often protectionist by design – have been removed.

Non-European minds have focused on the possible consequences of being excluded from the Community adventure by non-membership of the politico-economic club, and all are contemplating the consequences of lack of scale or even presence.

Takeover activity, joint ventures and distribution deals have increased in all consumer sectors, and the pace seems sure to quicken.

Established majors have also been active. Colgate-Palmolive of the US which manufactures in nine Community countries and last year had European sales of £1.8bn, has just appointed a pan-European management board.

Window dressing, perhaps, but such changes mark a preparedness for real structural change in manufacturing. Tony O'Reilly, president of Heinz, last month earmarked the UK as "a major food location for all of Western Europe," and hinted at plans to locate all ketchup production in Spain or Portugal.

Focused manufacturing, already undertaken by Electrolux and Kellogg in all their products, by Unilever, Nestlé, Colgate and Procter & Gamble in some sectors, offers such companies economies of scale which will reinforce the considerable leverage their brands already enjoy among consumers and retailers, and increase their ability to assault any other sectors or competitors which take their fancy.

Christopher Parkes